

DELMARVA POWER & LIGHT COMPANY

BEFORE THE  
DELAWARE PUBLIC SERVICE COMMISSION  
DIRECT TESTIMONY OF JAY C. ZIMINSKY  
DOCKET NO. \_\_\_\_\_

1    **Q1.    Please state your name and position.**

2    A1.            My name is Jay C. Ziminsky. I am Manager, Revenue Requirements, in the  
3                   Regulatory Affairs Department of Pepco Holdings, Inc. (PHI). I am testifying on behalf of  
4                   Delmarva Power & Light Company (Delmarva or the Company).

5    **Q2.    What are your responsibilities in your role as Manager of Revenue Requirements?**

6    A2.            I am responsible for the coordination of revenue requirement determinations in  
7                   Delaware, Maryland and New Jersey as well as coordinating various other regulatory  
8                   compliance matters.

9    **Q3.    Please state your educational background and professional experience.**

10   A3.            I received a Bachelor of Science Degree in Business Administration with a  
11                   concentration in Accounting from Drexel University in 1988 and a Masters in Business  
12                   Administration, with a concentration in Finance, from the University of Delaware in 1996. I  
13                   earned my Certified Public Accountant certification in the State of Pennsylvania in 1988.

14                   In 1988, I joined Price Waterhouse as a Tax Associate. In 1991, I joined Delmarva as  
15                   a Staff Accountant in the General Accounting section of the Controller's Department. In  
16                   1994, I joined the Management Information Process Redesign team as a Senior Accountant.  
17                   In 1995, I joined the Conectiv Enterprises Business & Financial Management team as a  
18                   Senior Financial Analyst. In 1996, I was promoted to Finance & Accounting Manager of  
19                   Conectiv Communications, where I was later promoted to Finance & Accounting Director (in

1 1999) and Vice President – Finance (in 2000). In 2002, I joined the PHI Treasury Department  
2 as Finance Manager. In 2006, I joined the PHI Regulatory Department and was promoted to  
3 my current position in October 2008, where my responsibilities include the coordination of  
4 revenue requirement determinations in New Jersey, Delaware and Maryland as well as  
5 coordinating various other regulatory compliance matters.

6 **Q4. What is the purpose of your Direct Testimony?**

7 A4. The purpose of my Direct Testimony is to present and explain the basis for the  
8 development of the Company's Delaware Distribution-related Revenue Requirement request.  
9 My testimony will first present the separation of Delmarva system costs into a distribution  
10 component and then into the Delaware Distribution component. I also present the per-book  
11 Earnings and Rate Base for use in this filing along with the quantification and support of  
12 certain adjustments. I summarize the adjustments being proposed by all the witnesses as well  
13 as the revenue requirement request of the Company. I sponsor certain adjustments which are  
14 both described in my testimony and have supporting detail that can be found in Schedules  
15 (JCZ) 1 – 30, which accompany this filing. I am also sponsoring certain Minimum Filing  
16 Requirements (MFR). These schedules, workpapers and the MFR were prepared under my  
17 direction and/or supervision.

18  
19 **FILING REQUIREMENTS**

20 **Q5. What MFR are you sponsoring?**

21 A5. I am sponsoring the following filing requirements:

22 Schedule A Period Definitions

23 Schedule C Elements of the Increase & Items that

|    |                     |                                          |
|----|---------------------|------------------------------------------|
| 1  |                     | Depart from Last Decision                |
| 2  | Schedule 1          | Financial Summary                        |
| 3  | Schedule 2          | Rate Base Summary                        |
| 4  | Schedule 2A         | Used and Useful Utility Plant            |
| 5  | Schedule 2B         | Intangible Assets                        |
| 6  | Schedule 2C         | Accumulated Depreciation & Amortization, |
| 7  |                     | and Customer Advances                    |
| 8  | Schedule 2D         | Accumulated Deferred Income Taxes &      |
| 9  |                     | Investment Tax Credit                    |
| 10 | Schedule 2E         | Materials and Supplies                   |
| 11 | Schedule 2F         | Other Elements of Property and CWIP      |
| 12 | Schedule 3          | Summary of Net Operating Income          |
| 13 | Schedule 3A, Page 1 | Revenues                                 |
| 14 | Schedule 3B         | Operating Expenses                       |
| 15 | Schedule 3C         | Payroll Costs                            |
| 16 | Schedule 3D         | Executive Compensation                   |
| 17 | Schedule 3E         | Sales Promotion and Advertising          |
| 18 | Schedule 3F         | Contributions                            |
| 19 | Schedule 3G         | Association Dues                         |
| 20 | Schedule 3H         | Rate Case Expense                        |
| 21 | Schedule 3I         | Income Taxes and Provisions              |
| 22 | Schedule 3J         | Federal and State Income Taxes           |
| 23 | Schedule 3K         | Deferred Federal and State Income Taxes  |

|   |             |                           |
|---|-------------|---------------------------|
| 1 | Schedule 3L | Investment Tax Credit     |
| 2 | Schedule 3M | Other Taxes               |
| 3 | Schedule 3O | Other Income              |
| 4 | Schedule 5  | Revenue Conversion Factor |

5 **TEST PERIOD**

6 **Q6. What are the test year and the test periods presented in this filing?**

7 A6. The test year, which is used for cost allocation purposes, is the actual twelve months  
8 data ending December 2012. The test period, which is used for the purpose of developing the  
9 Company's overall revenue requirement, is the same period.

10 **Q7. Is this an appropriate test period?**

11 A7. Yes. In the absence of the use of a fully forecasted test period, a test period with  
12 ratemaking adjustments represents a reasonable time period from which rates can be  
13 established for the rate effective period. For this filing, the rate effective period represents the  
14 period from November 2013 through October 2014. With the adjustments presented in this  
15 filing, this time period provides a matching of revenues, expenses and rate base consistent  
16 with Commission regulations and, in the absence of a fully forecasted test period, represents  
17 a reasonable basis for establishing the Company's revenue requirements for the rate effective  
18 period.

19 **RATE INCREASE REQUEST**

20 **Q8. Have you prepared schedules that summarize the Company's rate increase request?**

21 A8. Yes. Schedule (JCZ)-1, Page 1 presents the system electric and Delaware Distribution  
22 unadjusted rate base and earnings. Schedule (JCZ)-1, Page 2 presents a summary of the  
23 necessary financial and accounting data for the test period ending December 31, 2012.

1 Schedule (JCZ)-1, Page 2 displays a fully adjusted rate of return of only 4.26% as this rate of  
2 return translates to a return on equity of 3.60% for the test period ending December 2012.  
3 Also listed on (JCZ)-1, Page 2 is the responsible witness for each adjustment. Schedule  
4 (JCZ)-2 provides the calculation of the increase in revenues necessary to earn the 7.53% rate  
5 of return supported by the Direct Testimony of Company Witness Boyle. This schedule  
6 supports an increase of \$42,043,757 and the impact on customer rates is discussed in the  
7 Direct Testimony of Company Witness Santacecilia. Schedule (JCZ)-3 presents the total  
8 electric system and Delaware distribution cash working capital. Schedules (JCZ)-4 through  
9 (JCZ)-32 present the proposed ratemaking adjustments in this filing.

10 **Q9. Please summarize the contents of Schedules (JCZ)-1 and (JCZ)-2.**

11 A9. Schedule (JCZ)-1, Page 1 presents the Company's unadjusted total system, total  
12 distribution and Delaware jurisdictional rate base and earnings results of operation for the  
13 provision of distribution service for the twelve months actual data ending December 31,  
14 2012. Schedule (JCZ)-1, Page 2 provides a summary of the earnings and rate base amounts  
15 for each ratemaking adjustment along with the responsible witness. Schedule (JCZ)-2  
16 provides the Company's proposed revenue requirement increase of \$42,043,757.

17 **Q10. Please describe the development of per books rate base and earnings.**

18 A10. The rate base for the test year and test period is comprised of average balances and is  
19 summarized on Schedule (JCZ)-1. Earnings for the test year and test period are also  
20 summarized on Schedule (JCZ)-1.

21 The source of the data for the test year and test period consists of the Company's  
22 books and records provided in the Direct Testimony of Company Witness White. Detail for  
23 the test year and test period can be found in the workpapers contained in Book 1 that

1 accompanies the Company's Application.

2 Earnings include Operating Revenues less Operating Expense and Interest on  
3 Customer Deposits plus the Allowance for Funds Used During Construction (AFUDC), as  
4 shown on Schedule (JCZ)-1. The per book rate base is detailed by component on Schedule  
5 (JCZ)-1. Additions to rate base are included as they represent investment in facilities used to  
6 serve the Company's customers as well as investor-supplied working capital necessary for  
7 the Company's day-to-day operations. Certain items are deducted from rate base as they  
8 represent funds supplied by customers (or at least not investor-provided). Rate base includes  
9 Net Plant, Construction Work in Progress (CWIP), Materials and Supplies and Working  
10 Capital, less Accumulated Deferred Income Taxes, Unamortized Investment Tax Credits,  
11 Customer Advances and Customer Deposits.

12  
13 **ELECTRIC DISTRIBUTION COST OF SERVICE**

14 **Q11. Please discuss the development of Delmarva's cost of service on a distribution only-**  
15 **basis.**

16 A11. The basis for Delmarva's electric distribution-only cost of service is the distribution  
17 accounts as specified in the Federal Energy Regulatory Commission (FERC) Uniform  
18 System of Accounts. In addition, I have allocated to distribution a portion of other Company  
19 cost elements functionalized as general, intangible and miscellaneous. The result of this  
20 separation or functionalization of costs is shown in Schedule (JCZ)-1.

21 **Q12. Please describe the detail provided on Schedule (JCZ)-1.**

22 A12. Schedule (JCZ)-1 shows the items of rate base, revenue, expense and return for  
23 Delmarva for the total Company in column (3), titled "Adjusted System Electric", and those

1 same cost elements for the distribution function in Column (4), titled "Total Electric  
2 Distribution". I then allocate these electric distribution costs to the Delaware jurisdiction.  
3 Column (3) shows total System Electric rate base of \$1,534,340,946, total operating revenues  
4 of \$1,045,695,062, total operating expenses of \$939,089,809, and operating income of  
5 \$106,605,253. As described above, each cost element is separated into its Delaware electric  
6 distribution component. The Delaware electric distribution component is shown in column  
7 (5) of this schedule. The Delaware electric distribution rate base is \$674,914,898 (an increase  
8 of \$73,631,300 or 12.2%, compared to the December 2011 year-end rate base in Docket No.  
9 11-528), total operating revenues are \$176,519,552, total operating expenses are  
10 \$147,481,308, and operating income is \$29,038,244.

11 **Q13. How are system electric distribution costs developed?**

12 A13. Delmarva's overall costs consist of supply, transmission and distribution-related  
13 costs. Distribution plant costs are those costs contained in the FERC distribution accounts,  
14 numbers 360 to 373. Distribution expense costs are those costs contained in the FERC  
15 distribution accounts (inclusive of Customer Accounts Expense, Customer Service and  
16 Informational Expenses, and Sales Expenses), numbers 580 through 916. The exception to  
17 this process is Account 904, Uncollectible Accounts, which has to be functionalized.  
18 Transmission plant costs are from the FERC's transmission accounts, numbered 350 through  
19 359. Transmission expense costs are those costs contained in the FERC transmission  
20 accounts, numbers 560 through 573.

21 Other costs, such as General Plant and Administrative and General Expenses, are  
22 contained in FERC accounts that are not specific to the transmission and distribution  
23 functions and thus have to be functionalized to produce the distribution-related portion of

1           these costs.

2   **Q14. Does the Company's rate base and earnings proposed in this Docket conform to the last**  
3   **litigated Electric decision in Docket No. 09-414?**

4   A14.           Yes, the Company made a concerted effort to file a case that was consistent with the  
5   Commission's decision in Docket No. 09-414; however, there are three items that differ,  
6   which I have outlined below:

- 7           • The Company has included CWIP in per books rate base with the  
8           corresponding accrued AFUDC in earnings since many of the projects are  
9           technically complete, with AFUDC no longer being accrued, and serving  
10          customers but their costs have not yet been transferred to plant in service.  
11          While the Commission did not include CWIP in rate base in that decision, the  
12          Commission did indicate that it was within their discretion in future cases to  
13          determine whether CWIP should be included in rate base. The Company  
14          requests that the Commission consider including CWIP in rate base in this  
15          filing.
- 16          • The Company has used a year-end, not average, rate base to better reflect the  
17          assets and liabilities which will be serving customers during the rate effective  
18          period. This change is described later in my Direct Testimony.
- 19          • While the Company removed executive incentive compensation in this filing,  
20          it is requesting that the Commission include in rates the incentive  
21          compensation for non-executive employees as I explain later in my Direct  
22          Testimony.



1 **Q15. Was a lead/lag study prepared by the Company to determine the cash working capital**  
2 **requirement in its current filing?**

3 A15. Yes. The results of the lead/lag study are reflected in Schedules (JCZ)-3. The total  
4 per books distribution Delmarva Power cash working capital requirement is \$20,410,066.  
5 The Delaware distribution cash working capital requirement is \$10,887,807 as shown in  
6 Schedule (JCZ)-3.

7 **Q16. What period of time was the basis for preparing the lead/lag study?**

8 A16. All transactions used in preparing the lead/lag study were from 2012 for revenues and  
9 2010 from disbursements.

10 **Q17. Have the factors developed in the lead/lag study been applied to the test period**  
11 **results of operations?**

12 A17. Yes. The cash working capital lag factors were computed on historic data and  
13 applied to the test period results of operations.

14  
15 **RATEMAKING ADJUSTMENTS**

16 **Q18. Please list the pro forma adjustments that you are sponsoring in this proceeding.**

17 A18. The pro forma adjustments that I am sponsoring are as follows:

- 18 • Adjustment No. 5 – Restate Regulatory Commission Expense;
- 19 • Adjustment No. 6 – Normalize Injuries and Damages;
- 20 • Adjustment No. 7 – Normalize Uncollectible Expense;
- 21 • Adjustment No. 8 – Reflect price changes associated with the Company's Wage  
22 and Federal Insurance Contributions Act (FICA) Expense;
- 23 • Adjustment No. 9 – Remove Employee Association Expense;

- 1 • Adjustment No. 10 – Reflect Proforma Benefits Expense;
- 2 • Adjustment No. 11 – Remove Executive Incentive Compensation Expense;
- 3 • Adjustment No. 12 – Remove Certain Executive Compensation Expense;
- 4 • Adjustment No. 13 – Normalize Storm Restoration Expense;
- 5 • Adjustment No. 14 – Normalize Integrated Resource Planning (IRP) Recurring
- 6 Expense;
- 7 • Adjustment No. 15 – Amortize IRP Deferred Costs;
- 8 • Adjustment No. 16 – Amortize Request for Proposal (RFP) Deferred Costs;
- 9 • Adjustment No. 17 – Reflect Proforma Advanced Metering Infrastructure (AMI)
- 10 Operations and Maintenance (O&M) Expenses;
- 11 • Adjustment No. 18 – Reflect Proforma AMI O&M Savings;
- 12 • Adjustment No. 19 – Reflect Proforma AMI Depreciation and Amortization
- 13 Expense;
- 14 • Adjustment No. 20 – Amortize Dynamic Pricing Regulatory Asset;
- 15 • Adjustment No. 21 – Reflect Dynamic Pricing O&M Expenses;
- 16 • Adjustment No. 22 – Reflect Proforma Dynamic Pricing Amortization Expense;
- 17 • Adjustment No. 23 – Amortize Direct Load Control (DLC) Regulatory Asset;
- 18 • Adjustment No. 24 – Annualize Depreciation Expense on Year-End Plant;
- 19 • Adjustment No. 25 – Normalize Other Taxes;
- 20 • Adjustment No. 26 – Reflect Forecasted Reliability Plant Closings from January
- 21 2013 through December 2013;
- 22 • Adjustment No. 27 – Amortize of Loss/Gain on Refinancings;

- 1           • Adjustment No. 28 – Remove Qualified Fuel Cell Provider-Related Costs;
- 2           • Adjustment No. 29 – Amortize OPEB Medicare Tax Subsidy Deferred Costs;
- 3           • Adjustment No. 30 – Remove Post-1980 (ITC) Investment Tax Credit
- 4           Amortization;
- 5           • Adjustment No 31 – Recover Credit Facilities Expense;
- 6           • Adjustment No. 32 – Remove Renewable Portfolio Standard (RPS) Related
- 7           Labor Costs; and
- 8           • Adjustments No. 33 and No. 34 – Interest Synchronization and Cash Working
- 9           Capital (CWC) for the Proforma Adjustments.

10           The Company's overall revenue requirement also reflects ratemaking adjustments  
11           sponsored by Company Witness Santacecilia.

12   **Q19. Why are you making these adjustments?**

13   A19.           These adjustments are being made to establish a level of earnings and rate base more  
14           representative of the rate effective period as a basis for providing just and reasonable rates.  
15           Many of these adjustments reflect previously approved ratemaking treatment by the  
16           Commission. Other adjustments have been made to assure that the rate effective period  
17           reflects a matching of all elements of the ratemaking formula for known and measurable  
18           changes. Workpapers supporting each of these adjustments are included in Book 4 of this  
19           filing.

20   **Q20. Please describe Adjustment No. 5, which restates regulatory commission expense.**

21   A20.           Consistent with the treatment approved in Docket Nos. 94-22, 03-127, 05-304 and  
22           09-414, the amount expensed in the test period was adjusted for two items. The first is to  
23           normalize the test period level of expense using a three-year average. The second item is to

1 adjust the test period level of expense to reflect the cost of this filing, which includes the  
2 costs of Staff, amortized over a three-year period. This adjustment results in an \$85,345  
3 decrease to test year earnings and is detailed on Schedule (JCZ)-4.

4 **Q21. Please describe Adjustment No. 6, which normalizes injuries and damages expense.**

5 A21. Consistent with the treatment adopted in Docket Nos. 03-127, 05-304 and 09-414, I  
6 am including an adjustment to normalize Injuries and Damages Expense using a three year  
7 period. A normalized expense level in the cost of service mitigates the year-to-year expense  
8 volatility, which could occur and subsequently be factored into new base rates depending on  
9 the test period used. This adjustment will result in a \$25,878 increase to test year earnings  
10 and is detailed on Schedule (JCZ) -5.

11 **Q22. Please describe Adjustment No. 7, which normalizes the Company's uncollectible**  
12 **expense.**

13 A22. Consistent with the treatment included in Docket Nos. 03-127, 05-304, 09-414 and  
14 11-528, I have normalized the Company's test period level of uncollectible expense using a  
15 three-year average of this expense. By normalizing this expense, year-to-year expense  
16 volatility is mitigated. This adjustment detailed on Schedule (JCZ)-6 and results in a \$93,186  
17 increase to the test period earnings.

18 **Q23. Please describe Adjustment No. 8, which reflects the Company's proposed wage and**  
19 **FICA Expense.**

20 A23. Consistent with the treatment included in Docket Nos. 94-22, 03-127, 05-304 and 09-  
21 414, the Company's test period wage and FICA levels of expense were adjusted for the  
22 known price changes required to be made to be reflective of the rate effective period. These  
23 include:

- 1 • the actual wage increase of 2.00% for International Brotherhood of Electrical
- 2 Workers (IBEW) Local 1238 effective in February 2012 for 1 month,
- 3 • the actual non-union wage increase of 3.00% effective March 2012 for 2 months,
- 4 • the actual wage increase of 2.00% for IBEW Local 1307 effective in June 2012
- 5 for 6 months,
- 6 • an estimated wage increase of 2.00% for IBEW Local 1238 effective in February
- 7 2013 for 12 months,
- 8 • the actual non-union wage increase of 3.00% effective March 2013 for 12
- 9 months,
- 10 • an estimated wage increase of 2.00% for IBEW Local 1307 effective in June
- 11 2013 for 12 months,
- 12 • an estimated wage increase of 2.00% for IBEW Local 1238 effective in February
- 13 2014 for 9 months, and
- 14 • an estimated non-union wage increase of 3.00% effective March 2014 for 8
- 15 months.

16 These wage increases have been applied to the Company's test period salaries and  
17 wages to be reflective of the rate effective period, November 2013 through October 2014.  
18 Updates to estimated information will be provided during the course of the proceeding. This  
19 adjustment is detailed on Schedule (JCZ)-7 and reflects a decrease of \$1,114,374 to test  
20 period earnings.

21 **Q24. Please describe Adjustment No. 9, which removes employee association expense.**

22 A24. Consistent with treatment adopted in Docket No. 09-414, the amount charged to  
23 expense for support of the Employees' Association was removed for ratemaking purposes.

1 This adjustment is detailed on Schedule (JCZ)-8 and results in a \$53,123 increase to test year  
2 earnings.

3 **Q25. Please describe Adjustment No. 10, which reflects price changes related to the**  
4 **Company's employee medical, dental and vision benefits program.**

5 A25. Consistent with the treatment submitted in Docket No. 11-528 as well as the  
6 Commission's decision in Docket No. 09-414, this adjustment recognizes the increases in  
7 employee medical, vision and dental expenses expected in the rate effective period based on  
8 forecasts by the Company's expert benefits consultant, The Lake Consulting Group (Lake),  
9 which analyzes benefit cost trends each quarter in the Mid-Atlantic region. A copy of the  
10 most recent Lake study is attached as Schedules (JCZ)-9.1 – (JCZ)-9.3. The study shows that  
11 annual benefit costs are forecasted to increase as follows:

- 12 • Medical: The expected Average Rate of 9.5% is as follows: (average of the  
13 Company's two primary types of medical plan offering - Health Maintenance  
14 Organization (HMO) [9.4%] and Preferred Provider Organization (PPO) [9.6%]).  
15 HMO survey range is 7.9% – 12.0%. PPO survey range is 7.7% – 12.0%;
- 16 • Dental: Average Rate is 6.0%. Survey range is 5.0% – 7.8%;
- 17 • Vision: Average Rate is 6.0% (not specifically tracked in Lake study; however, Lake  
18 notes that these cost trends generally follow dental cost increase trends).

19 The Company is using the rates stated below for its projection of benefit costs for  
20 financial forecasting purposes. The Company is including these same rates in its projection  
21 of benefit expenses. The medical, dental, and vision increases requested by Delmarva are as  
22 follows:

- 23 • Medical: 8.00%;

• Dental: 5.00%; and

• Vision: 5.00%.

As shown in Schedule (JCZ)-9, the adjustment reflects a decrease of \$318,199 to test period earnings.

**Q26. Please describe Adjustment No. 11, which removes executive incentive compensation expense.**

A26. This adjustment removes the test period level of expense associated with executive incentives based on precedent in Docket No. 09-414. These "compensation at risk" payments are an important component of the Company's total executive compensation, and are likely to continue to be so in the future. As such, the Company will likely seek recovery of these costs in future rate filings. As displayed on Schedule (JCZ)-10, the Company is removing \$1,291,130 of test period earnings in this adjustment.

**Q27. Please describe Adjustment No. 12, which removes certain executive compensation.**

A27. Consistent with treatment approved in Docket No. 09-414, this adjustment removes the test level period of expense associated with certain executive compensation. These forms of compensation are shown in Schedule (JCZ)-11. As displayed in that same schedule, the Company is removing \$23,393 of test period earnings related to these items.

**Q28. Please describe Adjustment No. 13, which normalizes storm restoration expense.**

A28. Consistent with the treatment approved in Docket No. 09-414, this adjustment normalizes storm expense using a three year average due to the year-to-year volatility of these costs. By using a normalized level of expenses, the volatility of a particular's test period expense level is mitigated in terms of setting a reasonable level of expense which would be more representative of the rate effective period. This adjustment is detailed on

Schedule (JCZ)-12 and results in a \$457,675 increase to test period earnings.

**Q29. Please describe Adjustment No. 14, which normalizes recurring IRP costs.**

A29. Consistent with treatment approved in the Company's filing in Docket No. 09-414, the Company proposes the normalization of its IRP recurring costs. Although the IRP process represents a 2-year cycle, the costs within the cycle are not ratably incurred each year. Costs include modeling and analytical service, life cycle assessment of power options, outside legal expenses and consultant fees. Schedule (JCZ)-13 summarizes this adjustment, which results in a \$342,371 decrease to test period earnings.

**Q30. Please describe Adjustment No. 15, which amortizes IRP deferred costs.**

A30. Consistent with treatment approved in the Company's filing in Docket No. 09-414, this adjustment reflects the amortization of deferred costs related to the Company's initial IRP. These costs were incurred beginning in August 2009 (the costs approved for recovery in Docket No. 09-414 were incurred by or before July 2009). In terms of cost recovery, Delaware Code Section 1007 (c) (1) d states:

*"The costs that DP&L incurs in developing and submitting its IRPs shall be included and recovered in DP&L's distribution rates".*

These costs are proposed to be amortized over a 10-year amortization with the unamortized balance included in rate base. This adjustment is detailed on Schedule (JCZ)-14 and reflects a \$6,050 decrease to test period earnings and a \$57,474 increase to test period rate base.

**Q31. Please describe Adjustment No. 16, which amortizes RFP deferred costs.**

A31. Consistent with treatment approved in the Company's filing in Docket No. 09-414,



1 this adjustment reflects the amortization of deferred costs related to the Company's RFP  
2 (also known as the Bluewater Wind RFP) process. The RFP was part of the initial IRP  
3 process under Delaware Code Section 1007 (d) and cost recovery for IRP costs are to be  
4 recovered through the Company's distribution rates under Delaware Code Section 1007 (c)  
5 (1) d, as previously mentioned. The costs in this adjustment were incurred beginning in  
6 August 2009 (the costs approved for recovery in Docket No. 09-414 were incurred by or  
7 before July 2009). These costs are proposed to be amortized over a 15-year amortization with  
8 the unamortized balance included in rate base. This adjustment is detailed on Schedule  
9 (JCZ)-15 and reflects a \$3,028 decrease to test period earnings and a \$28,764 increase to test  
10 period rate base.

11 **AMI, Dynamic Pricing and DLC**

12 **Q32. Please describe the status of current of the AMI, Dynamic Pricing and DLC programs.**

13 A32. These programs have been approved by the Commission and are in various stages of  
14 deployment. AMI was approved in Order No. 7420 and has been fully deployed to  
15 customers. The application for Dynamic Pricing was approved in Order No. 8105 and its  
16 initial roll-out to customers started last summer with a Field Acceptance testing group with a  
17 roll-out to all Residential Standard Offer Service customers planned for this summer. The  
18 DLC program was approved in Order No. 8253 with its roll-out to customers planned to start  
19 in the 2<sup>nd</sup> quarter of 2013 and continuing through 2016. Both Order Nos. 7420 and 8253  
20 granted the Company the ability to establish regulatory assets in regard to the costs of these  
21 programs.

1 **Q33. Please describe the current accounting for the AMI, Dynamic Pricing and DLC**  
2 **programs.**

3 A33. The Company has received approvals from the Commission to defer costs related to  
4 these programs into regulatory assets. Costs would continue to be deferred until they become  
5 part of the Company's normal recurring cost of service upon full deployment or roll-out of  
6 these programs. While the AMI assets such as meters, communication equipment and  
7 system-related hardware and software were part of the approved rate base in Docket No. 11-  
8 528, there are operating costs, as well as operating savings, related to AMI that are still  
9 deferred to regulatory assets. They continue to be deferred since the AMI Regulatory Asset  
10 Phase-In plan in Docket No. 11-528 addressed the recovery of costs in the regulatory asset  
11 and did not set forth a process by which those costs, that would be recurring in nature, would  
12 be reflected in test period cost of service on an on-going basis.

13 In terms of Dynamic Pricing and DLC programs, all of the incremental costs related  
14 to them are currently deferred to regulatory assets. As such, there are no operating expenses  
15 included in the test period cost of service related to Dynamic Pricing since that program is  
16 planned to continue through the rate effective period and beyond. In terms of the DLC  
17 program, all costs related to the program for its entirety will be deferred to a regulatory asset  
18 with recovery to be done through distribution base rates.

19 **Q34. Please describe the proposed accounting concepts that your ratemaking adjustments**  
20 **will achieve in terms of the AMI, Dynamic Pricing and DLC programs.**

21 A34. The ratemaking adjustments related to these programs share several general concepts,  
22 which include:

- 1           •       Matching of customer benefits and cost recovery, which is a similar concept
- 2                   that was used in the AMI Regulatory Asset Phase-In Plan in Docket No. 11-528.
- 3           •       During the course of this filing, the other parties will be able to vet the costs
- 4                   and customer benefits related to these programs, just as they have been able to do
- 5                   with the AMI Regulatory Asset Phase-In Plan. In the case of the proposed AMI
- 6                   ratemaking adjustments in this filing, these costs are similar in nature to the ones
- 7                   which have already been reviewed and approved for recovery in the January 1,
- 8                   2013 AMI Regulatory Asset Phase-In.
- 9           •       Symmetry for both expenses and savings so that these items are deferred (as
- 10                   they are now) and then included in test period cost of service as expenses (or
- 11                   reductions to expenses) as programs are fully deployed or rolled-out to
- 12                   customers. This proposed change in accounting reflects the fact that these items
- 13                   have or will become part of the Company's operations (and thus part of the
- 14                   Company's recurring O&M expense run rate) as the programs are deployed,
- 15                   which will occur in the same time frame as the start of the rate effective period in
- 16                   this filing.

17           I will now discuss the various ratemaking adjustments related to AMI, Dynamic

18           Pricing and DLC.

19   **Q35. Please describe Adjustment No. 17, which reflects proforma incremental AMI O&M**

20   **expenses.**

21   A35.       With the full deployment of AMI in the Company's Delaware Electric jurisdiction as

22           well as the Commission-approved AMI Regulatory Asset Phase-In Recovery plan in Docket

23           No. 11-528, the Company proposes to have its AMI-related expenses included in cost of

service used to develop its base rates. These costs are currently being deferred into a regulatory asset with recovery of those costs coming through the Phase-In plan. These costs include software maintenance fees, network costs and leases, incremental work force, and consultant costs and are detailed on Schedule (JCZ)-16. If this proposed adjustment were approved, these costs would no longer be deferred as they were during the test period and would be expensed in rate effective period. Schedule (JCZ)-16 summarizes this adjustment, which results in a \$1,303,207 decrease to test period earnings.

**Q36. Please describe Adjustment No. 18, which reflects proforma incremental AMI O&M Savings.**

A36. As part of the Company's AMI Business Case in Docket No. 07-28, the Company projected Energy Delivery benefits from AMI in the form of O&M savings. As shown in Schedule (JCZ)-17, these savings relate to meter reading expense, remote turn-on/turn-off functionality, customer care and other activities. During 2012, the Company credited actual savings achieved to the aggregate AMI regulatory asset balance, thus reducing both the overall regulatory asset balances and the test period cost of service related to these items. These savings are detailed in Schedule (JCZ)-17. The purpose of this adjustment is to reflect in base rates the associated amount of savings related to each benefit, except for remote turn-on and turn-off related to involuntary service terminations and asset optimization as noted below, in terms of the rates reflecting the forecasted business plan savings or the 2012 actual savings.

The majority of the variance between actual savings and those savings forecasted in the business plan is driven by savings related to remote turn-on/turn-off functionality, which includes both customer-requested moves, additions and successions savings as well as

1 involuntary service terminations savings for failure to pay, theft of service and safety  
2 violations. The remote turn-on/turn-off functionality was recently implemented for customer-  
3 requested moves, additions and successions but it did not create savings that were recorded in  
4 the test period.

5 The first exception for this adjustment relates to remote turn-on and turn-off savings  
6 related to involuntary service terminations. The Company's ability to achieve these savings is  
7 subject to the approval of a currently pending request to amend the regulations found at  
8 Section 3002 of the Delaware Administrative Code, which were promulgated by Order No.  
9 6148, PSC Regulation Docket No. 53, titled "Regulations Governing Termination of  
10 Residential Electric or Natural Gas Service by Public Utilities for Non-Payment During  
11 Extreme Seasonal Temperature Conditions". Due to this pending request which currently  
12 prevents the Company from achieving these forecasted savings, I have not included these  
13 involuntary service termination remote turn-off savings in this adjustment; however, I would  
14 propose that such savings, when realized, be credited to a regulatory asset.

15 The second exception relates to asset optimization. This savings primarily relates to  
16 the reduction in truck rolls during restoration activities due to the AMI-enabled technology to  
17 "ping" a meter to determine if there is an actual outage for a customer. "Pinging" a meter  
18 allows the Company to remotely test whether a customer has electric service to his or her  
19 premise. If a customer has an outage and the Company is able to determine that there is  
20 service to the meter by "pinging" it, the customer may have an issue on his or her side of the  
21 meter. In addition, a customer may have a second home that he or she inquires as to whether  
22 it still has service. These requests can also be checked remotely using a meter "ping" as  
23 opposed to sending a service person in a truck to check. In 2012, there were 1,209 instances

1 in the Delaware electric jurisdiction in which a customer called in regard to a power outage at  
 2 their premise but by "pinging" the meter, the Company was able to determine that there was  
 3 service to the customer's meter. Based on those 1,209 meter "pings", the Company was able  
 4 to avoid truck rolls for them, which allowed those resources to be redeployed to lower the  
 5 time to restore customers who were actually out of service that the Company needed to  
 6 address. While the personnel and vehicles involved in the truck rolls were not eliminated, the  
 7 avoided costs related to them are already reflected in the test period cost of service.  
 8 Restoration-related labor and vehicle costs were lower than they otherwise would have been  
 9 if the Company had not "pinged" the meters and avoided unnecessary truck rolls. Based on  
 10 these facts, there was no asset optimization savings factored into this ratemaking adjustment.

11 This adjustment incorporates the associated AMI-related savings, except for the  
 12 remote turn-on and turn-off savings related to involuntary service terminations that will be  
 13 credited to a regulatory asset once they are realized and the asset optimization, into the cost  
 14 of service, which would be representative of the savings that are forecasted to be in place for  
 15 the rate effective period. Similar to Adjustment No. 17, these savings would no longer be  
 16 deferred to a regulatory asset if this proposed adjustment is accepted. Schedule (JCZ)-17  
 17 summarizes this adjustment, which results in an \$811,752 increase to test period earnings.

18 **Q37. Please describe Adjustment No. 19, which reflects proforma incremental AMI**  
 19 **depreciation and amortization expense.**

20 **A37.** Similar to the previously-discussed costs and savings related to AMI, incremental  
 21 AMI depreciation and amortization expenses have been and continue to be deferred to AMI  
 22 regulatory assets ever since the AMI deployment started. In terms of depreciation expense,  
 23 the difference between an AMI meter expense and a non-AMI meter expense, which is the

1 amount that customers currently have in their rates, has been deferred. In terms of  
2 amortization expense for system-related assets such as the Meter Data Management System  
3 and AMI Network Management System that were discussed in the AMI Blueprint Business  
4 plan, those expenses have all been deferred up to now despite being used and useful. With  
5 AMI being fully deployed, the proposed adjustment would charge these items to expense in  
6 the Company's cost of service and thus stop the need to defer these costs to a regulatory  
7 asset. Schedule (JCZ)-18 summarizes this adjustment, which results in a \$1,662,531 decrease  
8 to test period operating income.

9 **Q38. Please describe Adjustment No. 20, which amortizes the Dynamic Pricing regulatory**  
10 **asset.**

11 A38. In Order No. 8105 related to Docket No. 09-311, the Commission approved the  
12 Company's application to implement dynamic pricing that would enable customers across  
13 the state to take greater control of their electricity usage by providing a simple automated  
14 method by which customers can reduce consumption during certain peak periods. The AMI  
15 deployment, approved in Order No. 7420, provides the technology to enable dynamic pricing  
16 to be implemented. Similar to the start-up and program costs related to AMI, the costs related  
17 to the dynamic pricing program were deferred to a regulatory asset for future recovery  
18 purposes based on Order No. 7420. With Dynamic Pricing offered to a group of 6,904 Field  
19 Acceptance Test participants in the summer of 2012 and a planned roll-out to all of the  
20 Company's Standard Offer Service residential customers in the summer of 2013, the  
21 Company proposes that it start to recover those costs as part of this filing. The dynamic  
22 pricing program deferred costs will continue to be incurred prior to the start of the rate  
23 effective period. In addition, customers will already have the opportunity to partake in the

benefits of the program prior to the start of the rate effective period. Based on the timing of these customer benefits, the Company proposes a 15-year amortization, similar to the approved amortization period of AMI regulatory assets in Docket No. 09-414, with the unamortized balance receiving rate base treatment.

The proposed recovery amount would include both the currently deferred dynamic pricing costs of \$2,976,459 as of February 2013, as well as \$3,723,028 of projected deferred costs until the start of the rate effective period (November 2013). As detailed on Schedule (JCZ)-19, the costs include items such as customer education, outbound calls for Dynamic pricing events and costs for overflow customer call handling related to those events as well as amortization related to Dynamic-related systems. Schedule (JCZ)-19 also summarizes this adjustment, which results in a \$265,054 decrease to test period earnings and a \$3,843,284 increase in test period rate base.

**Q39. Please describe Adjustment No. 21, which reflects proforma incremental Dynamic Pricing O&M expenses.**

A39. With the full roll-out of the Company's Dynamic Pricing program to Delaware Electric residential customers planned for this summer, the Company proposes to have its recurring annual Dynamic Pricing-related expenses included in cost of service used to develop its base rates. Otherwise, these costs would be deferred into a regulatory asset with recovery of those costs coming at some later date. These costs include the outbound calls to customers for dynamic pricing events and costs for overflow customer call handling related to those events as well as related the information technology systems support. If this proposed adjustment were approved, these costs would no longer need to be deferred. Schedule (JCZ)-20 summarizes this adjustment, which results in a \$445,258 decrease to test



1 period earnings.

2 **Q40. Please describe Adjustment No. 22, which reflects proforma incremental Dynamic**  
3 **Pricing amortization expenses.**

4 A40. Similar to the reasons cited for the proposed inclusion in cost of service for the  
5 Company's Dynamic Pricing-related recurring incremental O&M expense, the Company also  
6 proposed the inclusion of incremental Dynamic Pricing amortization expense. Otherwise,  
7 these costs would be deferred into a regulatory asset with recovery of those costs coming at  
8 some later date. These costs include the amortization of both the dynamic pricing portion of  
9 the Meter Data Management System software as well as the dynamic pricing interfaces with  
10 the customer information system. This adjustment is detailed on Schedule (JCZ)-21 and  
11 results in a \$733,262 decrease to test period earnings.

12 **Q41. Please describe Adjustment No. 23, which amortizes the Direct Load Control**  
13 **regulatory asset.**

14 A41. In Order No. 8253 related to Docket No. 11-330, the Commission granted the  
15 Company the authority to establish a residential air conditioning cycling program as well as  
16 its Residential Direct Load Control rider. As part of its report filed in Docket No. 11-330,  
17 Commission Staff supported Delmarva's request that it be permitted to create a regulatory  
18 asset to recover the filed costs of the program (\$25,477,246) with the carrying cost set at the  
19 current weighted cost of capital. In Order No. 8253, the Commission confirmed the  
20 establishment of a Direct Load Control regulatory asset by stating:

21  
22 *That the Commission confirms that the language of Order No. 7420, in which the*  
23 *Commission "permit[ted] Delmarva to establish a regulatory asset to cover recovery of and*

1        *on the appropriate operating costs associated with the deployment of Advanced Metering*  
2        *Infrastructure and demand response equipment," authorized Delmarva to establish a*  
3        *regulatory asset for costs incurred in implementing and monitoring the Cycling Program.*

4  
5        Implementation of the Company's Direct Load Control program started late in 2012  
6        and will continue through 2016 as shown in Schedule (JCZ)-22. 19,600 of the total 51,600  
7        projected participating customers are forecasted to have their Direct Load Control switch and  
8        thermostat installed at their residences by the end of December 2013. During that period,  
9        \$9,803,140 of the projected total program costs (\$25,456,692) will be incurred with  
10       customers able to partake in the benefits of the program within that time frame.

11       The Company proposes a 15-year recovery of this regulatory asset, similar to the  
12       period approved for AMI regulatory assets in Docket No. 09-414, with the unamortized  
13       balance receiving rate base treatment. These projected costs would be updated for actual  
14       costs during the course of this proceeding. This proposal achieves a matching of allowing  
15       recovery of actual incurred costs to accompany benefits received by customers. Schedule  
16       (JCZ)-22 summarizes this adjustment, which results in a \$393,571 decrease to test period  
17       operating income and a \$5,706,782 increase in test period rate base.

18    **Q42. Please describe Adjustment No. 24, which annualizes depreciation expense on year-end**  
19    **plant in service.**

20    A42.        The adjustment compares the 12 months ending December 2012 test year amount of  
21        depreciation expense to an annualized level of depreciation expense amount based on the  
22        year ended December 2012 plant assets, using the Commission-approved depreciation rates.  
23        In addition, an adjustment is included to the accumulated depreciation reserve to recognize

1 the difference in annualized depreciation expense to the test period level of depreciation  
2 expense. My proposed adjustment to rate base and operating income is shown on Schedule  
3 (JCZ)-23 and results in a \$213,425 decrease to test period earnings and a \$213,425 decrease  
4 to test period rate base.

5 **Q43. Please describe Adjustment No. 25, which normalizes other taxes.**

6 A43. This adjustment relates to a non-recurring expense in the test period cost of service.  
7 Included in the Company's Other Taxes was a credit of \$188,971, which represented a  
8 reversal of an accrual related to 2009 Delaware franchise taxes. Since this item is not  
9 representative of the level of Other Taxes expected in the rate effective period, this amount is  
10 removed from cost of service. This adjustment is detailed on Schedule (JCZ)-24 and results  
11 in a decrease to test period earnings of \$112,545.

12 **Q44. Please describe Adjustment No. 26, which reflects proforma forecasted reliability plant**  
13 **project closings from January 2013 through December 2013.**

14 A44. As approved by the Commission in Docket Nos. 05-304 and 09-414, this adjustment  
15 reflects the annualization of reliability plant added to Plant in Service beyond the end of the  
16 test period. The actual reliability plant additions should be included in rate base to properly  
17 synchronize the value that customers will realize during the rate effective period to the  
18 amount included in rates. As previously mentioned, the Commission approved this concept  
19 in its decision in Order No. 8011 relating to Docket No. 8011, when it stated:

20  
21 *60. Discussion. We conclude that under the circumstances presented in this case, both the April-July*  
22 *2009 and August-December 2009 reliability plant should be included in rate base. As previously*  
23 *discussed, we reject the DPA's strict test period construction. We agree with the Company's position*

1        *that the August 2009 – December 2009 reliability closings are no different from the April 2009 – July*  
2        *2009 closings. We agree with Delmarva that these costs are known and measurable, and that they are*  
3        *necessary to make the test period more reflective of the period during which the rates approved in this*  
4        *case will be in effect. See In re Delmarva Power & Light Company, PSC Docket No. 91-20, 1992 Del.*  
5        *PSC LEXIS 15, Order No. 3389 (Del. PSC March 31, 1992) at 34. We are also persuaded that these*  
6        *plant additions are necessary to preserve the reliable operation of the distribution system and are not*  
7        *being made to serve future customers. While we note that the test period is there for a reason, we*  
8        *believe it is appropriate to include these costs in rate base based on the evidence presented.*  
9        *(Unanimous).*

10  
11            I have included forecasted reliability plant closings through December 2013. This  
12        adjustment also reflects the annualization of any forecasted retirements to plant associated  
13        with this period. This adjustment is detailed on Schedule (JCZ)-25 and results in a decrease  
14        to test period earnings of \$1,088,493 and an increase to test period rate base of \$66,794,140.

15        **Q45. Please describe Adjustment No. 27, which amortizes actual refinancing transactions.**

16        A45.            Consistent with the approved ratemaking treatment that has been included in prior  
17        Commission decisions, in Docket No. 86-24 through Docket No. 09-414, I have included in  
18        this filing the earnings and rate base treatment of refinancings that was allocated to the  
19        Electric business. Lower cost rates in the Company's capital structure resulting from the  
20        Company's refinancings provide a benefit to customers. This adjustment is detailed on  
21        Schedule (JCZ)-26 and reflects a \$370,828 decrease to test period earnings and a \$2,976,401  
22        increase to test period rate base.

23        **Q46. Please describe Adjustment No. 28, which removes Qualified Fuel Cell Provider costs.**

24        A46.            The Company proposes the removal of Bloom-related costs that are currently

1 included as expense in test period cost of service as those costs would be recovered through  
2 the Fuel Cell Provider tariff, not base rates. This adjustment is detailed on Schedule (JCZ)-27  
3 and results in an \$84,783 increase to test period earnings.

4 **Q47. Please describe Adjustment No. 29, which amortizes deferred taxes related to Medicare**  
5 **subsidy costs.**

6 A47. Similar to the adjustment proposed in Docket No. 11-528, this adjustment proposes  
7 recovery of additional taxes related to a change in the law regarding Medicare Part D. The  
8 Patient Protection and Affordable Care Act, which became law in March 2010, resulted in a  
9 deferred tax charge to the Company's Federal income tax expense. The law changes the tax  
10 treatment of federal subsidies paid to the Company to offset the costs for certain retiree  
11 health benefits. The charge to tax expense was deferred in the financial records of the  
12 Company. The Company proposes to recover these deferred costs over a three-year period.  
13 This adjustment is shown on Schedule (JCZ)-28 and results in a \$21,860 decrease to test  
14 period earnings as well as a \$54,650 increase to test period rate base.

15 **Q48. Please describe Adjustment No. 30, which removes Post-1980 ITC amortization.**

16 A48. Consistent with the approved ratemaking treatment in previous cases including the  
17 most recent proceeding, Docket No. 09-414, this adjustment removes post-1980 vintage ITC  
18 amortizations. This adjustment reflects the requirements of the Economic Recovery Tax Act  
19 of 1981 (ERTA) on post-1980 vintage projects for rate case purposes. The Company has  
20 been amortizing ITC on a property service life basis. Under ERTA, Delmarva is an Option  
21 One Company for ratemaking purposes for post-1980 vintages. The related ratemaking  
22 treatment is to deduct the post-1980 accumulated unamortized balance from rate base, and at  
23 the same time, not include the related post-1980 vintage amortizations as a reduction of

operating expenses. This adjustment is detailed on Schedule (JCZ)-29 as a \$255,733 decrease to test period earnings.

**Q49. Please describe Adjustment No. 31, which recovers credit facilities expense.**

A49. Consistent with ratemaking treatment approved in the Company's filing in Docket No. 09-414, this adjustment reflects the Company's cost related to the PHI credit facility. PHI's credit facility is vital for serving the day-to-day cash needs of its companies, such as Delmarva. These costs are recorded as interest expense for financial reporting purposes of the Company; however, they are not reflected in the cost of capital for ratemaking purposes and thus would not otherwise be recovered. On August 1, 2011, PHI renewed its credit facility for a five-year term. As shown in Schedule (JCZ)-30, the costs related to the current credit facility are reflected and the related adjustment results in a \$200,057 decrease to test period earnings as well as a \$520,111 increase to test period rate base.

**Q50. Please describe Adjustment No. 32, which removes Renewable Portfolio Standard labor costs.**

A50. Included in the Distribution test period cost of service were expenses related to the RPS process. These costs were recovered through the Qualified Fuel Cell Provider tariff and thus should be removed from the cost of service in this filing to prevent an over-recovery. This adjustment is detailed on Schedule (JCZ)-31 and results in a \$41,136 increase to test period earnings.

**Q51. Please describe the Interest Synchronization and Cash Working Capital Adjustments that you support in this proceeding, Adjustments No. 33 and 34.**

A51. This adjustment, shown on Schedule (JCZ)-30, synchronizes the interest expense utilized in the per books income tax calculation with the adjusted rate base and the tax

deductible component included in the cost of capital. Schedule (JCZ)-30 also displays the change in cash working capital associated with the proforma adjustments.

**Q52. Do the Company's proposed rate base and earnings conform to the Commission's last detailed decision, Docket No. 09-414?**

A52. Yes, although there are three items that differ from the Commission's decision in Docket No. 09-414. The Commission did not include CWIP in rate base but indicated that it was within its discretion in future cases to determine whether CWIP should be included in rate base. I have included CWIP in rate base with the corresponding accrued AFUDC in earnings.

The Commission approved the use of average, not year-end, rate base in the development of the overall revenue requirement.

Also, the Commission denied the inclusion of non-executive incentive expense in Docket No. 09-414 on the basis that the amount had not been clearly defined during the proceeding.

In the following section, I address the Company's position on these items, which differ from the Commission's decision in Docket No. 09-414.

**CWIP and AFUDC**

**Q53. Why do you propose including CWIP and AFUDC in the Company's cost of service?**

A53. Distribution projects are made up of thousands of work requests (WR) that, on an annual basis, account for the on-going additions to rate base in the form of new assets which comprise incremental capital units of property. The majority of these WR are characterized as having short construction durations and, on a per unit basis, a low cost when compared to major plant additions such as a new substation. The Company follows the appropriate

1 procedure for accruing AFUDC at the WR level. Due to the fact that many WRs do not  
2 exceed the minimum threshold for accruing AFUDC, many of these distribution projects  
3 accrue no AFUDC and the majority of projects that do, accrue AFUDC for only a few  
4 months.

5 These new assets are placed into service throughout a given month but only close to  
6 plant in service on a monthly basis. The majority of this work is related to reliability, existing  
7 load and new customer service connections. A portion of these costs represent General plant,  
8 which include direct purchases and projects of short duration and lower value. It is  
9 appropriate to afford rate base treatment to these projects which are now either in service,  
10 serving customers with known and measurable costs or will very soon be in service, serving  
11 customers with known and measurable costs.

12 **Q54. What is the effect on the Company if the Commission does not allow the Company to**  
13 **recover the carrying cost of dollars in CWIP that are not accruing AFUDC?**

14 A54. The Company inappropriately bears the burden of those carrying costs. It is unfair  
15 that the Company would spend dollars on investment that will provide service to its  
16 customers but not be compensated for funding those investments. The Company should be  
17 compensated for the cost associated with that expenditure.

18 **Q55. Do you propose an alternative in this proceeding if CWIP and AFUDC are not included**  
19 **in cost of service?**

20 A55. Yes, I do. I understand that all of the parties are concerned with the relatively low  
21 effective AFUDC rate discussed by the Commission. If the Commission were to decide not  
22 to include CWIP and the associated accrued AFUDC in cost of service, there is a reasonable  
23 alternative. The Company could record a carrying cost on all CWIP. The difference between



1 the actual accrued, recorded AFUDC and the full calculated carrying cost would be recorded  
2 as a regulatory asset. This regulatory asset would be treated in the Company's next case just  
3 as if it had been actually accrued AFUDC; that AFUDC would be amortized over an  
4 assigned life and included in rate base just as if had been capitalized.

5 **Q56. When do you propose that the calculation of this "Full AFUDC" would begin?**

6 A56. It would seem appropriate that it would begin when final rates in this proceeding  
7 become effective. In the Company's next proceeding, the balance of this regulatory asset  
8 would be determined from the point in time that rates were established in this proceeding  
9 through the end of the test period in the Company's next proceeding. That balance would be  
10 amortized using the average book life with the regulatory asset included in rate base. The  
11 next regulatory asset would then begin to accumulate at the end of the test period used in the  
12 Company's next proceeding.

13 **Year-End Rate Base**

14 **Q57. Please explain your proposed treatment of year-end rate base.**

15 A57. I propose the use of year-end, not average, rate base as the year-end rate base  
16 better reflects the assets which will be serving customers during the rate effective period  
17 for which rates in this proceeding are being established. I have included Adjustment No.  
18 23 to annualize depreciation expense based on year-end rate base to ensure a proper  
19 matching of rate base and expense.

20 **Q58. Do other PHI utilities use year-end rate base for the development of their revenue**  
21 **requirement?**

22 A58. Yes. Atlantic City Electric uses year-end rate base in its revenue requirement  
23 calculations in New Jersey.

**Non-Executive Incentive Compensation**

**Q59. Please explain your proposed treatment of Non-Executive Incentive Compensation.**

A59. I propose the inclusion of the test period level of non-executive incentive compensation in the Company's cost of service for this filing. In Docket No. 09-414, the Commission did not include the expense associated with non-executive incentives in cost of service because there was a concern whether the detail associated with the components related to safety, reliability and similar goals was entered into the record of the proceeding. The Commission, in its deliberation, discussed being consistent with its decision in the prior proceeding, Docket No. 05-304. In Docket No. 05-304, the Commission had included incentive costs associated with achieving safety, reliability and similar goals as part of its approved revenue requirements.

**Q60. What has the Commission stated previously about incentive programs?**

A60. While the Commission has previously excluded the inclusion of incentive compensation payments that are primarily triggered by the achievement of financial triggers, the Commission has allowed incentives that are triggered by the achievement of safety, reliability and similar goals. The Commission's Order in Docket No. 05-304 discussed that this was a difficult issue for the Commission and they recognized that they have allowed payments made under incentive plans to be included in rates in the past. The Commission has stated that such programs benefit ratepayers by extending the period between rate cases.

The non-executive incentives included in the test period are a part of the total compensation package paid to employees and such programs benefit customers by extending

1 the period between rate cases. The Company's performance incentive plans are part of  
2 employees' total compensation package. While base salaries could be increased to reflect a  
3 higher level of compensation in lieu of incentives, having an at-risk portion of compensation  
4 available is widely used to motivate employees to be more efficient and productive. For  
5 Delmarva Power, this program helps to focus employees' attention and efforts on achieving  
6 the Company's goals. Many of these goals are explicitly related to safety and customers and  
7 to the extent that other goals are financial in nature, such goals help motivate employees to  
8 keep costs down and thus will benefit customers in the ratemaking process.

9 While the specifics of the annual incentive program differ from area to area, or  
10 among levels, they all have the same framework of drivers. In particular, all of the programs  
11 have an employee measure such, as safety. All of the programs also have a customer  
12 satisfaction component as well as a reliability measure. Finally, the programs all have  
13 financial components such as O&M expense control, managing capital expenditures and  
14 achieving our net income targets overall, which, if achieved, lower the revenue requirements  
15 to customers and will extend time between base rate filings.

16 All three of these areas work in concert – motivated employees looking out for the  
17 safety of themselves and the public, serving the needs and expectations of satisfied  
18 customers, and doing so in a financially responsible way. These incentives motivate  
19 employees to work safely, promote efficiency and focus on critical processes such as  
20 diversity, reliability and our customers' needs.

21 For these reasons I have not removed the non-executive incentive expense. I feel that  
22 all of the goals, including the financial triggered goals, should be included in rates.

1 Q61. Can you quantify the Non-Executive Incentive Expense that is included in the  
2 Company's filed test period?

3 A61. Yes, I can. For the test period used in this filing, the non-executive incentives total  
4 \$1,993,801 for the Delaware jurisdiction and of this total, \$1,196,280 is related to customer  
5 satisfaction and reliability (\$797,520), safety (\$199,380), Affirmative Action (\$99,690) and  
6 Regulatory and Compliance (\$99,690).

7 Q62. What is your proposed treatment of Non-Executive Incentive expense?

8 A62. I propose that all non-executive incentive expense be included in the final cost of  
9 service approved by the Commission in this proceeding. A key part of the total compensation  
10 paid to employees is these incentives, which aid in the motivation of employees to work  
11 safely, promote efficiency and focus on critical processes such as diversity, reliability and our  
12 customers' needs.

13 **OVERALL REVENUE REQUIREMENT**

14 Q63. Can you summarize the adjustments that are included in this filing?

15 A63. Yes, I can. Schedule (JCZ)-1, Page 2 displays all of the proforma adjustments  
16 included in this filing and the earnings and rate base impact.

17 Q64. Has the Company been earning less than its authorized return on equity?

18 A64. Yes. A review of the return on equity for the last six calendar years on an unadjusted  
19 basis shows that the Company is not earning its authorized return. The unadjusted return on  
20 equity as presented from the Company's annual rate of return reports for the past five years is  
21 as follows on the next page:

Table 1

| Year | Earned ROE | Authorized ROE | Rev Deficiency (Excess)<br>Millions |
|------|------------|----------------|-------------------------------------|
| 2008 | 9.26%      | 10.00%         | \$2.6                               |
| 2009 | 5.11%      | 10.00%         | \$17.0                              |
| 2010 | 8.23%      | 10.00%         | \$7.2                               |
| 2011 | 4.78%      | 10.00%         | \$25.1                              |
| 2012 | 5.59%      | 9.75%          | \$23.8                              |

As noted in Company Witness Boyle's Direct Testimony, the Company will only earn 5.59% return on equity after annualizing the rate increase authorized by the Commission in Docket No. 11-528. Although the 2012 annual rate of return report has not yet been filed, the annualization of the rate increase is shown as Adjustment No. 1 in Schedule (JCZ)-1, Page 2 and is added to the unadjusted per books amounts shown on the same schedule to derive the 5.59% return on equity.

**Q65. Please summarize the Company's overall revenue deficiency.**

A65. Schedule (JCZ)-2 displays the calculation of the Company's revenue deficiency of \$42,034,757. This calculation includes the effect of all of the proforma adjustments to the test period level of earnings and rate base and uses the Direct Testimony of Company Witness Boyle's supplied rate of return of 7.53%.

**Q66. Does this conclude your Direct Testimony?**

A66. Yes, it does.

Delmarva Power & Light Company  
Delaware Distribution Rate of Return  
12 Months Ending December 2012

| (1)<br>Line<br>No. | (2)<br><u>Item</u>                     | (3)<br><u>System Electric</u> | (4)<br><u>Total<br/>Distribution</u> | (5)<br><u>Delaware<br/>Distribution</u> |
|--------------------|----------------------------------------|-------------------------------|--------------------------------------|-----------------------------------------|
| 1                  | <b>Rate Base</b>                       |                               |                                      |                                         |
| 2                  | Electric Plant in Service              | \$ 2,783,726,241              | \$ 1,889,066,349                     | \$ 1,106,124,352                        |
| 3                  | Less: Depreciation Reserve             | \$ 1,012,029,810              | \$ 697,550,214                       | \$ 408,440,153                          |
| 4                  | Net Plant in Service                   | \$ 1,771,696,431              | \$ 1,191,516,135                     | \$ 697,684,198                          |
| 5                  |                                        |                               |                                      |                                         |
| 6                  | CWIP                                   | \$ 207,030,424                | \$ 112,024,855                       | \$ 70,154,772                           |
| 7                  | Working Capital                        | \$ 20,410,066                 | \$ 20,410,066                        | \$ 10,887,807                           |
| 8                  | Plant Materials & Supplies             | \$ 38,417,359                 | \$ 31,005,440                        | \$ 18,164,174                           |
| 9                  | Plant Held For Future Use              | \$ 2,578,570                  | \$ 2,578,570                         | \$ -                                    |
| 10                 | Prepaid Balances                       | \$ 102,243,025                | \$ 95,177,212                        | \$ 57,392,849                           |
| 11                 | Deferred Federal and State Tax Balance | \$ (577,227,011)              | \$ (278,119,582)                     | \$ (162,161,551)                        |
| 12                 | Deferred Investment Tax Credit         | \$ (4,841,754)                | \$ (2,816,294)                       | \$ (1,853,616)                          |
| 13                 | Customer Deposits                      | \$ (22,285,152)               | \$ (22,285,152)                      | \$ (13,702,572)                         |
| 14                 | Customer Advances                      | \$ (3,681,013)                | \$ (3,681,013)                       | \$ (1,651,163)                          |
| 15                 |                                        |                               |                                      |                                         |
| 16                 | Total Rate Base                        | \$ 1,534,340,946              | \$ 1,145,810,238                     | \$ 674,914,898                          |
| 17                 |                                        |                               |                                      |                                         |
| 18                 | <b>Earnings</b>                        |                               |                                      |                                         |
| 19                 | Operating Revenues                     | \$ 1,045,695,062              | \$ 325,550,913                       | \$ 176,519,552                          |
| 20                 |                                        |                               |                                      |                                         |
| 21                 | O & M Expense                          | \$ 788,856,125                | \$ 184,270,618                       | \$ 103,201,264                          |
| 22                 | Depreciation and Amortization Expense  | \$ 77,012,781                 | \$ 52,050,353                        | \$ 28,293,088                           |
| 23                 | Taxes Other than Income Taxes          | \$ 31,560,930                 | \$ 20,007,394                        | \$ 7,973,607                            |
| 24                 | Deferred FIT Expense                   | \$ 36,840,439                 | \$ 35,038,003                        | \$ 20,457,413                           |
| 25                 | Deferred SIT Expense                   | \$ 9,847,314                  | \$ 9,287,751                         | \$ 5,569,692                            |
| 26                 | Net ITC Adjustment                     | \$ (620,781)                  | \$ (431,699)                         | \$ (250,890)                            |
| 27                 | State Income Tax                       | \$ (675,003)                  | \$ (5,609,340)                       | \$ (3,801,179)                          |
| 28                 | Federal Income Tax                     | \$ (3,731,997)                | \$ (21,433,473)                      | \$ (13,961,686)                         |
| 29                 | Total Operating Expenses               | \$ 939,089,809                | \$ 273,179,607                       | \$ 147,481,308                          |
| 30                 |                                        |                               |                                      |                                         |
| 31                 | Operating Income                       | \$ 106,605,253                | \$ 52,371,306                        | \$ 29,038,244                           |
| 32                 |                                        |                               |                                      |                                         |
| 33                 | AFUDC                                  | \$ 4,526,603                  | \$ 1,574,198                         | \$ 965,309                              |
| 34                 | Misc Earnings Items                    | \$ (24,326)                   | \$ (24,326)                          | \$ (14,967)                             |
| 35                 | Earnings                               | \$ 111,107,530                | \$ 53,921,177                        | \$ 29,988,586                           |

**Delmarva Power & Light Company**  
**Delaware Electric Distribution Adjustments**  
**12 Months Ending December 2012**

| (1)<br>Line<br>No. | (2)<br>Item                                                           | (3)<br>Witness   | (4)<br>Earnings | (5)<br>Rate Base | (6)<br>ROR | (7)<br>ROE | (8)<br>Revenue<br>Requirement |
|--------------------|-----------------------------------------------------------------------|------------------|-----------------|------------------|------------|------------|-------------------------------|
| 1                  | Per Books Unadjusted                                                  |                  | \$29,988,586    | \$674,914,898    | 4.44%      | 3.96%      | \$35,541,505                  |
| 2                  |                                                                       |                  |                 |                  |            |            |                               |
| 3                  | <b>Adjustments:</b>                                                   |                  |                 |                  |            |            |                               |
| 4                  | 1 Rate Change from Docket No. 11-528                                  | Santacecilia     | \$5,643,025     | \$0              |            |            | (\$9,627,340)                 |
| 5                  | 2 Weather Normalization                                               | Santacecilia     | \$163,716       | \$0              |            |            | (\$279,309)                   |
| 6                  | 3 Bill Frequency                                                      | Santacecilia     | \$1,227,683     | \$0              |            |            | (\$2,094,500)                 |
| 7                  | 4 Year End Customers                                                  | Santacecilia     | \$424,587       | \$0              |            |            | (\$724,371)                   |
| 8                  | 5 Regulatory Commission Exp Normalization                             | Ziminsky         | (\$85,345)      | \$0              |            |            | \$145,603                     |
| 9                  | 6 Injuries and Damages Exp Normalization                              | Ziminsky         | \$25,878        | \$0              |            |            | (\$44,149)                    |
| 10                 | 7 Uncollectible Expense Normalization                                 | Ziminsky         | \$93,186        | \$0              |            |            | (\$158,981)                   |
| 11                 | 8 Wage and FICA Expense                                               | Ziminsky         | (\$1,114,374)   | \$0              |            |            | \$1,901,189                   |
| 12                 | 9 Remove Employee Association Expense                                 | Ziminsky         | \$53,123        | \$0              |            |            | (\$90,631)                    |
| 13                 | 10 Proform Benefits Expense                                           | Ziminsky         | (\$318,199)     | \$0              |            |            | \$542,867                     |
| 14                 | 11 Removal of Executive Incentive Compensation                        | Ziminsky         | \$1,291,130     | \$0              |            |            | (\$2,202,745)                 |
| 15                 | 12 Removal of Certain Executive/Officer Compensation                  | Ziminsky         | \$23,393        | \$0              |            |            | (\$39,911)                    |
| 16                 | 13 Storm Restoration Expense Normalization                            | Ziminsky         | \$457,675       | \$0              |            |            | (\$780,821)                   |
| 17                 | 14 Reflect IRP Recurring Expense                                      | Ziminsky         | (\$342,371)     | \$0              |            |            | \$584,105                     |
| 18                 | 15 Amortize IRP Deferred Costs                                        | Ziminsky         | (\$6,050)       | \$57,474         |            |            | \$17,705                      |
| 19                 | 16 Amortize RFP Deferred Costs                                        | Ziminsky         | (\$3,028)       | \$28,764         |            |            | \$8,861                       |
| 20                 | 17 Proform AMI O&M Expenses                                           | Ziminsky         | (\$1,303,207)   | \$0              |            |            | \$2,223,349                   |
| 21                 | 18 Proform AMI O&M Savings                                            | Ziminsky         | \$811,752       | \$0              |            |            | (\$1,384,897)                 |
| 22                 | 19 Proform AMI Depreciation & Amortization Expense                    | Ziminsky         | (\$1,662,531)   | \$0              |            |            | \$2,836,378                   |
| 23                 | 20 Amortize Dynamic Pricing Regulatory Asset                          | Ziminsky         | (\$265,054)     | \$3,843,284      |            |            | \$945,931                     |
| 24                 | 21 Proform Dynamic Pricing O&M Expenses                               | Ziminsky         | (\$445,258)     | \$0              |            |            | \$759,638                     |
| 25                 | 22 Proform Dynamic Pricing Amortization Expense                       | Ziminsky         | (\$733,262)     | \$0              |            |            | \$1,250,989                   |
| 26                 | 23 Amortize Direct Load Control Regulatory Asset                      | Ziminsky         | (\$393,571)     | \$5,706,782      |            |            | \$1,404,585                   |
| 27                 | 24 Annualization of Depreciation on Year-end Plant                    | Ziminsky         | (\$213,425)     | (\$213,425)      |            |            | \$336,698                     |
| 28                 | 25 Normalize Other Taxes                                              | Ziminsky         | (\$112,145)     | \$0              |            |            | \$191,326                     |
| 29                 | 26 Proform Forecasted Reliability Closings January 13 - December 2013 | Ziminsky/Maxwell | (\$1,088,493)   | \$66,794,140     |            |            | \$10,437,832                  |
| 30                 | 27 Amortization of Actual Refinancing Costs                           | Ziminsky         | (\$370,828)     | \$2,976,401      |            |            | \$1,015,022                   |
| 31                 | 28 Remove Qualified Fuel Cell Provider Project Costs                  | Ziminsky         | \$84,783        | \$0              |            |            | (\$144,645)                   |
| 32                 | 29 Amortize Medicare Subsidy Deferred Costs                           | Ziminsky         | (\$21,860)      | \$54,650         |            |            | \$44,315                      |
| 33                 | 30 Remove Post-80 ITC Amortization                                    | Ziminsky         | (\$255,733)     | \$0              |            |            | \$436,295                     |
| 34                 | 31 Recover Credit Facilities Expense                                  | Ziminsky         | (\$200,057)     | \$520,111        |            |            | \$408,125                     |
| 35                 | 32 Removal of RPS Labor Charges                                       | Ziminsky         | \$41,136        | \$0              |            |            | (\$70,181)                    |
| 36                 | 33 Interest Synchronization                                           | Ziminsky         | \$790,792       | \$0              |            |            | (\$1,349,138)                 |
| 37                 | 34 Cash Working Capital                                               | Ziminsky         | \$0             | \$23,798         |            |            | \$3,057                       |
| 38                 |                                                                       |                  |                 |                  |            |            |                               |
| 39                 | <b>Adjusted Total</b>                                                 |                  | \$32,185,654    | \$754,706,877    | 4.26%      | 3.60%      | \$42,043,757                  |

Schedule (JCZ)-2

**Delmarva Power & Light Company  
Delaware Distribution  
12 Months Ending December 2012 Test Period  
Determination of Revenue Requirements**

| <b>(1)<br/>Line<br/>No.</b> | <b>(2)<br/><u>Item</u></b>  | <b>(3)<br/><u>Detail</u></b> |
|-----------------------------|-----------------------------|------------------------------|
| 1                           | Adjusted Net Rate Base      | \$754,706,877                |
| 2                           | Required Rate of Return     | <u>7.53%</u>                 |
| 3                           | Required Operating Income   | \$56,829,428                 |
| 4                           | Pro Forma Operating Income  | <u>\$32,185,654</u>          |
| 5                           | Operating Income Deficiency | \$24,643,774                 |
| 6                           | Revenue Conversion Factor   | <u>1.70606</u>               |
| 7                           | Revenue Requirement         | \$42,043,757                 |



Delmarva Power & Light Company  
Distribution Cash Working Capital  
12 Months Ending December 2012

Schedule (JCZ)-3

| (1)<br>Line<br>No. | (2)<br>ITEM                   | (3)<br>Distribution<br>Amount | (4)<br>Revenue<br>Lag | (5)<br>(Lead)/Lag<br>Days | (6)<br>Net Lag<br>Days | (7)<br>%<br>365 DAYS | (8)<br>Distribution<br>CWC | (9)<br>DE Distribution<br>% | (10)<br>DE Distribution<br>CWC |
|--------------------|-------------------------------|-------------------------------|-----------------------|---------------------------|------------------------|----------------------|----------------------------|-----------------------------|--------------------------------|
| 1                  | O&M                           |                               |                       |                           |                        |                      |                            |                             |                                |
| 2                  | O & M                         | \$184,270,618                 | 52.14                 | 17.33                     | 34.81                  | 9.54%                | \$17,573,864               | 57.88%                      | \$10,172,262                   |
| 3                  | Total O & M                   | <u>\$184,270,618</u>          |                       |                           |                        |                      | <u>\$17,573,864</u>        |                             | <u>\$10,172,262</u>            |
| 4                  |                               |                               |                       |                           |                        |                      |                            |                             |                                |
| 5                  | Other Taxes                   |                               |                       |                           |                        |                      |                            |                             |                                |
| 6                  | Taxes Other Than Income Taxes |                               |                       |                           |                        |                      |                            |                             |                                |
| 7                  | Delaware Public Utility Tax   | \$5,776,550                   | 52.14                 | 35.88                     | 16.26                  | 4.45%                | \$257,333                  | 100.00%                     | \$257,333                      |
| 8                  | DE Franchise Tax              | (\$133,928)                   | 52.14                 | 137.78                    | (85.64)                | -23.46%              | \$31,423                   | 100.00%                     | \$31,423                       |
| 9                  | MD Franchise Tax              | \$5,796,428                   | 52.14                 | 38.51                     | 13.63                  | 3.73%                | \$216,453                  | 0.00%                       | \$0                            |
| 10                 | Delaware Local Tax            | \$188,862                     | 52.14                 | (40.56)                   | 92.70                  | 25.40%               | \$47,966                   | 100.00%                     | \$47,966                       |
| 11                 | Maryland Local Tax            | \$682,382                     | 52.14                 | 35.26                     | 16.88                  | 4.62%                | \$31,558                   | 0.00%                       | \$0                            |
| 12                 | Total - Revenue Taxes         | <u>\$12,310,295</u>           |                       |                           |                        |                      | <u>\$584,734</u>           |                             | <u>\$336,723</u>               |
| 13                 |                               |                               |                       |                           |                        |                      |                            |                             |                                |
| 14                 | Property Tax                  |                               |                       |                           |                        |                      |                            |                             |                                |
| 15                 | Property Tax                  | \$10,899,998                  | 52.14                 | (91.12)                   | 143.26                 | 39.25%               | \$4,278,174                | 58.58%                      | \$2,506,318                    |
| 16                 | Total Property Taxes          | <u>\$10,899,998</u>           |                       |                           |                        |                      | <u>\$4,278,174</u>         |                             | <u>\$2,506,318</u>             |
| 17                 |                               |                               |                       |                           |                        |                      |                            |                             |                                |
| 18                 | Payroll Tax                   |                               |                       |                           |                        |                      |                            |                             |                                |
| 19                 | FICA                          | \$2,381,670                   | 52.14                 | 12.03                     | 40.11                  | 10.99%               | \$261,723                  | 58.58%                      | \$153,327                      |
| 20                 | FUTA/SUTA                     | \$154,971                     | 52.14                 | 76.38                     | (24.24)                | -6.64%               | (\$10,292)                 | 58.58%                      | (\$6,029)                      |
| 21                 | Total Payroll                 | <u>\$2,536,641</u>            |                       |                           |                        |                      | <u>\$251,431</u>           |                             | <u>\$147,298</u>               |
| 22                 |                               |                               |                       |                           |                        |                      |                            |                             |                                |
| 23                 | Total Other Taxes             | <u>\$25,746,933</u>           |                       |                           |                        | 19.86%               | <u>\$5,114,339</u>         |                             | <u>\$2,990,339</u>             |
| 24                 |                               |                               |                       |                           |                        |                      |                            |                             |                                |
| 25                 | Income Taxes                  |                               |                       |                           |                        |                      |                            |                             |                                |
| 26                 | State                         | (\$3,801,179)                 | 52.14                 | (17.30)                   | 69.44                  | 19.02%               | (\$723,161)                | 100.00%                     | (\$723,161)                    |
| 27                 | Federal                       | (\$13,961,686)                | 52.14                 | 58.95                     | (6.81)                 | -1.87%               | \$260,491                  | 100.00%                     | \$260,491                      |
| 28                 | Total Taxes                   | <u>(\$17,762,865)</u>         |                       |                           |                        |                      | <u>(\$462,671)</u>         |                             | <u>(\$462,671)</u>             |
| 29                 |                               |                               |                       |                           |                        |                      |                            |                             |                                |
| 30                 | Interest Expense              | \$16,862,023                  | 52.14                 | 91.25                     | (39.11)                | -10.72%              | (\$1,806,777)              | 100.00%                     | (\$1,806,777)                  |
| 31                 | Interest on Customer Deposits | \$24,326                      | 52.14                 | 182.50                    | (130.36)               | -35.72%              | (\$8,688)                  | 61.53%                      | (\$5,345)                      |
| 32                 | Total Other Items             | <u>\$16,886,349</u>           |                       |                           |                        |                      | <u>(\$1,815,465)</u>       |                             | <u>(\$1,812,123)</u>           |
| 33                 |                               |                               |                       |                           |                        |                      |                            |                             |                                |
| 34                 |                               |                               |                       |                           |                        |                      |                            |                             |                                |
| 35                 | TOTAL CWC                     | <u>\$209,141,035</u>          |                       |                           |                        |                      | <u>\$20,410,066</u>        |                             | <u>\$10,887,807</u>            |

Delmarva Power & Light Company  
 Delaware Distribution  
 Regulatory Commission Expense  
12 Months Ending December 2012

| (1)<br>Line<br>No. | (2)<br>Item                                        | (3)<br>Delaware<br>Distribution |
|--------------------|----------------------------------------------------|---------------------------------|
| 1                  | Non - Rate Case Regulatory Commission Expense      |                                 |
| 2                  | (3 Year Average)                                   | \$53,316 (1)                    |
| 3                  |                                                    |                                 |
| 4                  | Non - Rate Case Regulatory Commission Expense      |                                 |
| 5                  | Included in Test Period:                           | \$48,926                        |
| 6                  |                                                    |                                 |
| 7                  | Adjustment to Per Books to normalize non-base case |                                 |
| 8                  | Regulatory Commission Expense                      | \$4,390                         |
| 9                  |                                                    |                                 |
| 10                 | Cost of Current Case (2)                           | \$632,600                       |
| 11                 | Amount included in Adjustment                      | \$210,867                       |
| 12                 |                                                    |                                 |
| 13                 | Total Normalized Expense Adjustment                | \$215,257                       |
| 14                 |                                                    |                                 |
| 15                 | Remove Rate Case Expense from Per Books            | (\$71,446)                      |
| 16                 |                                                    |                                 |
| 17                 | Total Regulatory Commission Expense Adjustment     | \$143,811                       |
| 18                 |                                                    |                                 |
| 19                 | SIT                                                | (\$12,512)                      |
| 20                 | FIT                                                | <u>(\$45,955)</u>               |
| 21                 | Net Expense                                        | \$85,345                        |
| 22                 |                                                    |                                 |
| 23                 | Earnings                                           | <u>(\$85,345)</u>               |

(1) Basis for Normalized Expense

|                 |                 |
|-----------------|-----------------|
| 12 m/e 12/31/10 | \$43,010        |
| 12 m/e 12/31/11 | \$68,013        |
| 12 m/e 12/31/12 | \$48,926        |
| Average         | <u>\$53,316</u> |

(2) Cost of Current Case

|                           |                  |
|---------------------------|------------------|
| External Legal            | \$315,000        |
| Cost of Capital Witness   | \$92,600         |
| Court reporter/notice/etc | \$25,000         |
| DPSC                      | <u>\$200,000</u> |
| Total                     | \$632,600        |

Schedule (JCZ)-5  
Adjustment 6

Delmarva Power & Light Company  
Delaware Distribution  
Normalization of Injuries & Damages Expense  
12 Months Ending December 2012

| (1)<br>Line<br>No. | (2)<br>Item                                | (3)<br>Detail          |
|--------------------|--------------------------------------------|------------------------|
| 1                  | System Electric Injuries & Damages Expense |                        |
| 2                  | (3 Year Average)                           | \$1,242,856 (1)        |
| 3                  |                                            |                        |
| 4                  | System Electric Injuries & Damages Expense |                        |
| 5                  | Included in Test Period:                   | <u>\$1,323,053</u>     |
| 6                  |                                            |                        |
| 7                  | Adjustment to Per Books                    |                        |
| 8                  | Injuries & Damages Expense                 | (\$80,197)             |
| 9                  |                                            |                        |
| 10                 | Delaware Distribution Allocation           | <u>54.37%</u>          |
| 11                 |                                            |                        |
| 12                 | Delaware Distribution O&M Expense          | (\$43,605)             |
| 13                 |                                            |                        |
| 14                 | SIT                                        | \$3,794                |
| 15                 | FIT                                        | <u>\$13,934</u>        |
| 16                 |                                            |                        |
| 17                 | Net Expense                                | (\$25,878)             |
| 18                 |                                            |                        |
| 19                 | Earnings                                   | <u><u>\$25,878</u></u> |

|                            |                    |
|----------------------------|--------------------|
| (1) <u>System Electric</u> |                    |
| 12 m/e 12/31/10            | \$2,496,765        |
| 12 m/e 12/31/11            | (\$91,250)         |
| 12 m/e 12/31/12            | <u>\$1,323,053</u> |
| Average                    | \$1,242,856        |

Delmarva Power & Light Company  
Delaware Distribution  
Normalization of Uncollectible Expense  
12 Months Ending December 2012

| (1)<br>Line<br>No. | (2)<br><u>Item</u>                            | (3)<br>Delaware<br>Electric |
|--------------------|-----------------------------------------------|-----------------------------|
| 1                  | Delaware Electric Uncollectible Expense       |                             |
| 2                  | (3 Year Average):                             | \$1,444,777 (1)             |
| 3                  |                                               |                             |
| 4                  | Delaware Electric Uncollectible Expense       |                             |
| 5                  | Included in Test Period (non-SOS):            | <u>\$1,601,802</u> (1)      |
| 6                  |                                               |                             |
| 7                  | Adjustment to Per Books Uncollectible Expense | (\$157,025)                 |
| 8                  |                                               |                             |
| 9                  | SIT                                           | \$13,661                    |
| 10                 | FIT                                           | <u>\$50,177</u>             |
| 11                 |                                               |                             |
| 12                 | Net Expense                                   | (\$93,186)                  |
| 13                 |                                               |                             |
| 14                 | Earnings                                      | <u><u>\$93,186</u></u>      |

(1) Delaware Electric - non-SOS

|                 |                    |
|-----------------|--------------------|
| 12 m/e 12/31/10 | \$1,486,359        |
| 12 m/e 12/31/11 | \$1,246,170        |
| 12 m/e 12/31/12 | <u>\$1,601,802</u> |
| 3 Year Average  | \$1,444,777        |

**Delmarva Power & Light Company**  
**Delaware Distribution**  
**Wage, Salary, and FICA Expense Adjustment**  
**12 Months Ending December 2012**

**Schedule (JCZ)-7**  
**Adjustment 8**

| (1)<br>Line<br>No. | (2)<br><u>Item</u>                           | (3)<br><u>Electric</u> |
|--------------------|----------------------------------------------|------------------------|
| 1                  | <u><b>Salary and Wage Adjustment</b></u>     |                        |
| 2                  | Electric Distribution O&M Expense Adjustment | \$3,041,858            |
| 3                  |                                              |                        |
| 4                  | Delaware Distribution                        | <u>58.58%</u>          |
| 5                  |                                              |                        |
| 6                  | Delaware Distribution Expense                | \$1,782,036            |
| 7                  |                                              |                        |
| 8                  | State Income Tax                             | (\$155,037)            |
| 9                  | Federal Income Tax                           | <u>(\$569,450)</u>     |
| 10                 |                                              |                        |
| 11                 | Total Expense                                | \$1,057,549            |
| 12                 |                                              |                        |
| 13                 | Earnings                                     | <u>(\$1,057,549)</u>   |
| 14                 |                                              |                        |
| 15                 | <u><b>FICA Adjustment</b></u>                |                        |
| 16                 | Electric Distribution O&M Expense Adjustment | \$163,447              |
| 17                 |                                              |                        |
| 18                 | Delaware Distribution                        | <u>58.58%</u>          |
| 19                 |                                              |                        |
| 20                 | Delaware Distribution Expense                | \$95,753               |
| 21                 |                                              |                        |
| 22                 | State Income Tax                             | (\$8,331)              |
| 23                 | Federal Income Tax                           | <u>(\$30,598)</u>      |
| 24                 |                                              |                        |
| 25                 | Total Expense                                | \$56,825               |
| 26                 |                                              |                        |
| 27                 | Earnings                                     | <u>(\$56,825)</u>      |
| 28                 |                                              |                        |
| 28                 | Total Earnings Adjustment                    | (\$1,114,374)          |

**Delmarva Power & Light  
Delaware Distribution  
Employee Association Expenses  
12 Months Ending December 2012**

**Schedule (JCZ)-8  
Adjustment 9**

| (1)<br>Line<br>No. | (2)<br>Item                                  | (3)<br>\$              |
|--------------------|----------------------------------------------|------------------------|
| 1                  | Employee Association expense - total DPL     | \$184,251              |
| 2                  |                                              |                        |
| 3                  | Delmarva Power & Light Electric allocation   | <u>82.93%</u>          |
| 4                  |                                              |                        |
| 5                  | Employee Association expenses - DPL Electric | \$152,799              |
| 6                  |                                              |                        |
| 7                  | Delaware Distribution Allocation             | <u>58.58%</u>          |
| 8                  |                                              |                        |
| 9                  | Impact to Operating Expense                  | (\$89,515)             |
| 10                 |                                              |                        |
| 11                 | Impact to SIT @ 8.7%                         | \$7,788                |
| 12                 |                                              |                        |
| 13                 | Impact to FIT @ 35%                          | <u>\$28,605</u>        |
| 14                 |                                              |                        |
| 15                 | Impact to Operating Income                   | <u><u>\$53,123</u></u> |

Delmarva Power & Light Company  
Delaware Distribution  
Proform Benefits Expense  
12 Months Ending December 2012

Schedule (JCZ)-9  
Adjustment 10

| (1)<br>Line<br>No. | (2)<br>Item                       | (3)<br>Delmarva | (4)<br>12 m/e December 2012<br>Service Company | (5)<br>Total | (6)<br>Delmarva | (7)<br>Proforma<br>Service Company | (8)<br>Total | (9)<br>Adjustment |
|--------------------|-----------------------------------|-----------------|------------------------------------------------|--------------|-----------------|------------------------------------|--------------|-------------------|
| 1                  | Medical                           | \$9,452,411     | \$5,213,617                                    | \$14,666,028 | \$10,586,700    | \$5,839,251                        | \$16,425,951 |                   |
| 2                  | Dental                            | \$822,020       | \$453,077                                      | \$1,275,097  | \$883,672       | \$487,058                          | \$1,370,729  |                   |
| 3                  | Vision                            | \$315,927       | \$174,197                                      | \$490,124    | \$339,622       | \$187,262                          | \$526,883    |                   |
| 4                  |                                   |                 |                                                |              |                 |                                    |              |                   |
| 5                  | Total                             | \$10,590,358    | \$5,840,891                                    | \$16,431,249 | \$11,809,993    | \$6,513,571                        | \$18,323,564 |                   |
| 6                  |                                   |                 |                                                |              |                 |                                    |              |                   |
| 7                  | DPL Electric Ratio                | 100%            | 82.93%                                         |              | 100%            | 82.93%                             |              |                   |
| 8                  |                                   |                 |                                                |              |                 |                                    |              |                   |
| 9                  | DPL Electric Amount               | \$10,590,358    | \$4,843,851                                    | \$15,434,209 | \$11,809,993    | \$5,401,704                        | \$17,211,697 |                   |
| 10                 |                                   |                 |                                                |              |                 |                                    |              |                   |
| 11                 | Expense Ratio                     | 40.28%          | 88.71%                                         |              | 40.28%          | 88.71%                             |              |                   |
| 12                 |                                   |                 |                                                |              |                 |                                    |              |                   |
| 13                 | O&M Amount                        | \$4,265,510     | \$4,297,169                                    | \$8,562,679  | \$4,756,746     | \$4,792,062                        | \$9,548,809  |                   |
| 14                 |                                   |                 |                                                |              |                 |                                    |              |                   |
| 15                 | Distribution Ratio                |                 |                                                | 92.81%       |                 |                                    | 92.81%       |                   |
| 16                 |                                   |                 |                                                |              |                 |                                    |              |                   |
| 17                 | System Distribution Amount        |                 |                                                | \$7,947,177  |                 |                                    | \$8,862,421  |                   |
| 18                 |                                   |                 |                                                |              |                 |                                    |              |                   |
| 19                 | DE Distribution Factor            |                 |                                                | 58.58%       |                 |                                    | 58.58%       |                   |
| 20                 |                                   |                 |                                                |              |                 |                                    |              |                   |
| 21                 | DE Distribution Benefit           |                 |                                                | \$4,655,758  |                 |                                    | \$5,191,943  |                   |
| 22                 |                                   |                 |                                                |              |                 |                                    |              |                   |
| 23                 | Change in DE Distribution Benefit |                 |                                                |              |                 |                                    |              | \$536,185         |
| 24                 |                                   |                 |                                                |              |                 |                                    |              |                   |
| 25                 | State Income Tax                  |                 |                                                |              |                 |                                    |              | (\$46,648)        |
| 26                 | Federal Income Tax                |                 |                                                |              |                 |                                    |              | (\$171,338)       |
| 27                 |                                   |                 |                                                |              |                 |                                    |              |                   |
| 28                 | Expense                           |                 |                                                |              |                 |                                    |              | \$318,199         |
| 29                 |                                   |                 |                                                |              |                 |                                    |              |                   |
| 30                 | Impact on Earnings                |                 |                                                |              |                 |                                    |              | (\$318,199)       |

**Lake Consulting, Inc.**  
**7200 Bradley Boulevard**  
**Bethesda, MD 20817**  
**301-365-1964**

February 18, 2013

Eileen M. Kennedy  
Accounting Program Manager  
PEPCO Holdings, Inc.  
PO Box 9239  
Newark, DE 19714

Dear Eileen:

Here are the results of our medical trend survey for the first quarter of 2013. This represents the projected trends in use for the first quarter of 2013. Six companies in the region participated, and we thank all of them. We present the company by company results, the mean, the median, and the range of rates in each category of plan.

- For this quarter three of the seven categories showed a change from the mean average projected fourth quarter 2012 trends. POS and Dental each showed a decrease of 0.1%. Pharmacy showed a decrease of 0.2%.
- When compared to last quarter, three of the six companies made changes to their projected trends. One company decreased HMO and POS 0.4%. Another company decreased dental 0.5%. A third company increased HMO and PPO 0.1%, increased POS 0.2% and decreased Pharmacy 1.2%.
- The HMO first quarter 2013 mean average trend shows no change in the trend from fourth quarter 2012. One company increased this trend 0.1%, and another company decreased it 0.4%. All other companies left this trend unchanged.
- The POS first quarter 2013 mean average trend shows a 0.1% decrease from this trend for fourth quarter 2012. One company increased this trend 0.2%, and another company decreased it 0.4%. All other companies left this trend unchanged.
- The PPO first quarter 2013 mean average trend shows no change from this trend for fourth quarter 2012. One company increased this trend 0.1%. All other companies left this trend unchanged.
- The Indemnity first quarter 2013 mean average trend shows no change from this trend for fourth quarter 2012. All five companies with Indemnity business left their trends unchanged.
- The Dental first quarter 2013 mean average trend shows a 0.1% decrease from this trend for fourth quarter 2012. One company decreased their dental trend 0.5%. All other companies left this trend unchanged.



- The Pharmacy first quarter 2013 mean average trend shows a 0.2% decrease from this trend for fourth quarter 2012. One company decreased it 1.2%. All other companies left this trend unchanged.
- The Consumer Driven Health Plan first quarter 2013 mean average trend shows no change from this trend from fourth quarter 2012. One company increased this trend 0.1%. All other companies left this trend unchanged.
- In the first quarter 2013 trend survey, one company reported CDHP Pharmacy trend (7.3%) being different from the trend for CDHP base plans (5.7%).

This quarter, the mean average projected CDHP trend is the lowest medical trend at 8.9% with trends ranging from 5.7% to 12.0%. POS has the next lowest trend at 9.3% with trends ranging from 7.1% to 12.0%. HMO has the next lowest trend at 9.4% with trends ranging from 7.9% to 12.0%. The PPO trend is the next lowest at 9.6% with trends ranging from 7.7% to 12.0%. Current Indemnity trends are still the highest of the medical trends at 11.1%, with a range of 9.0% to 16.5%. Dental trends are lower than medical, 6.0% mean average, with a range from 5.0% to 7.8%. Pharmacy trends, at 8.8% mean average, have a range from 5.0% to 12.0%.

We also want to show you these trends over time, so we have summarized by type of medical plan the trends since we began this survey. You will be able to see at a glance how your plan has compared with other plans. During the fifty-six quarters we have collected data for all but CDHP (of which sixteen are displayed), we see the following changes:

- The mean average of HMO trends has increased from 5.3% to 9.4%.
- The mean average of POS trends has increased from 6.6% to 9.3%.
- The mean average of PPO trends has increased from 9.3% to 9.6%.
- The mean average of Indemnity trends is still at a low of 11.1%.
- The mean average of Pharmacy trends is at its low of 8.8%.
- The mean average of CDHP trends is the same at 8.9%.

We hope you will find these results both interesting and of value. We will send another survey soon, asking for second quarter 2013. Again, we thank you for your interest.

Sincerely,

*Gary D. Lake, FSA*

Gary D. Lake, FSA  
Consulting Actuary

*Jon R. Jennings*

Jon R. Jennings  
Consultant

Enclosures

## Participating Companies

Aetna/USHealthCare

CareFirst of Maryland

CareFirst of Washington, DC

CIGNA HealthCare, Mid Atlantic

Kaiser Foundation of the Mid-Atlantic States

UnitedHealth Group

# LAKE CONSULTING, INC. QUARTERLY MEDICAL TREND SURVEY

VA, MD, DC Area

HMO Summary for 2Q 2009 to 1Q 2013

Co. C

2 Q 2009  
3 Q 2009  
4 Q 2009  
1 Q 2010  
2 Q 2010  
3 Q 2010  
4 Q 2010  
1 Q 2011  
2 Q 2011  
3 Q 2011  
4 Q 2011  
1 Q 2012  
2 Q 2012  
3 Q 2012  
4 Q 2012  
1 Q 2013

13.4  
13.4  
13.4  
13.4  
13.4  
13.4  
12.5  
12.5  
12.5  
12.5  
12.3  
12.0  
12.0  
12.0  
12.0  
12.0

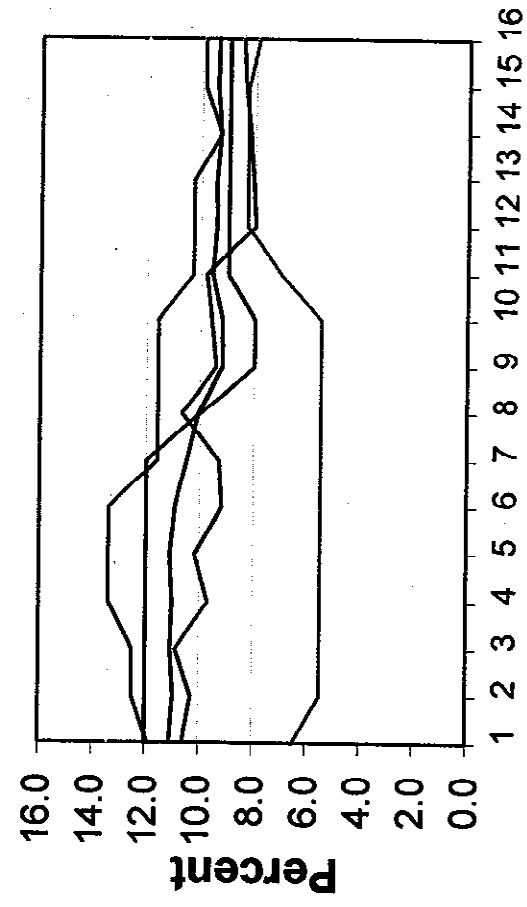
Low

6.5  
5.5  
5.5  
5.5  
5.5  
5.5  
5.5  
5.5  
5.5  
5.5  
7.0  
8.0  
8.1  
8.2  
8.3  
7.9

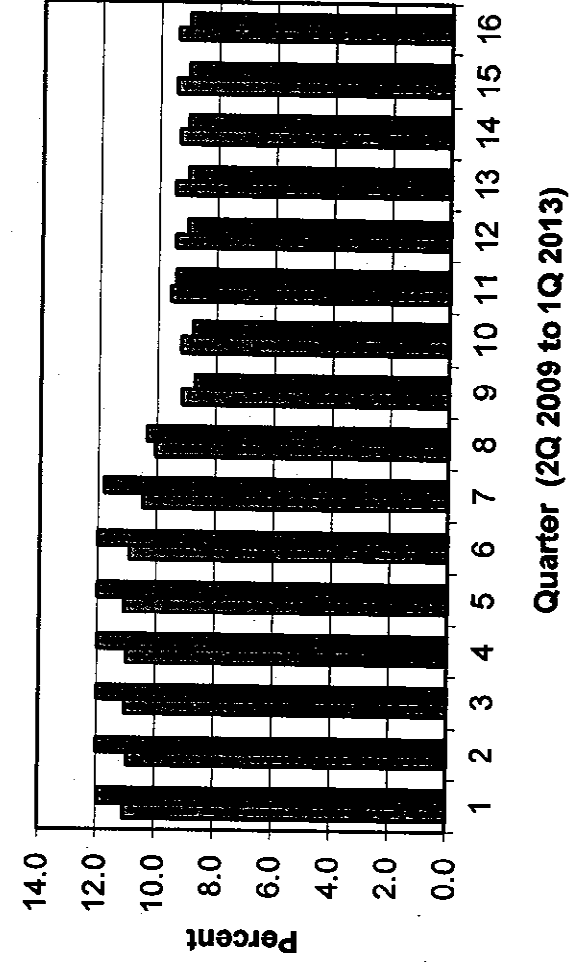
High

13.4  
13.4  
13.4  
13.4  
13.4  
13.4  
12.5  
12.5  
12.5  
12.5  
12.3  
12.0  
12.0  
12.0  
12.0  
12.0

Company HMO Trends  
2Q 2009 to 1Q 2013



HMO Mean & Median Trends  
2Q 2009 to 1Q 2013



# LAKE CONSULTING, INC. QUARTERLY MEDICAL TREND SURVEY

VA, MD, DC Area

POS Summary for 2Q 2009 to 1Q 2013

Co. C

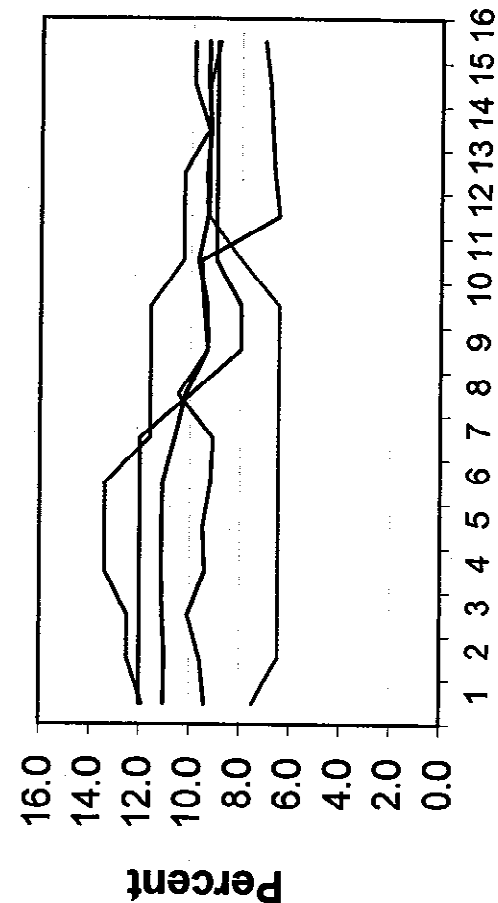
2 Q 2009  
3 Q 2009  
4 Q 2009  
1 Q 2010  
2 Q 2010  
3 Q 2010  
4 Q 2010  
1 Q 2011  
2 Q 2011  
3 Q 2011  
4 Q 2011  
1 Q 2012  
2 Q 2012  
3 Q 2012  
4 Q 2012  
1 Q 2013

13.4  
13.4  
13.4  
13.4  
13.4  
13.4  
12.5  
12.5  
12.5  
12.5  
12.3  
12.0  
12.0  
12.0  
12.0  
12.0

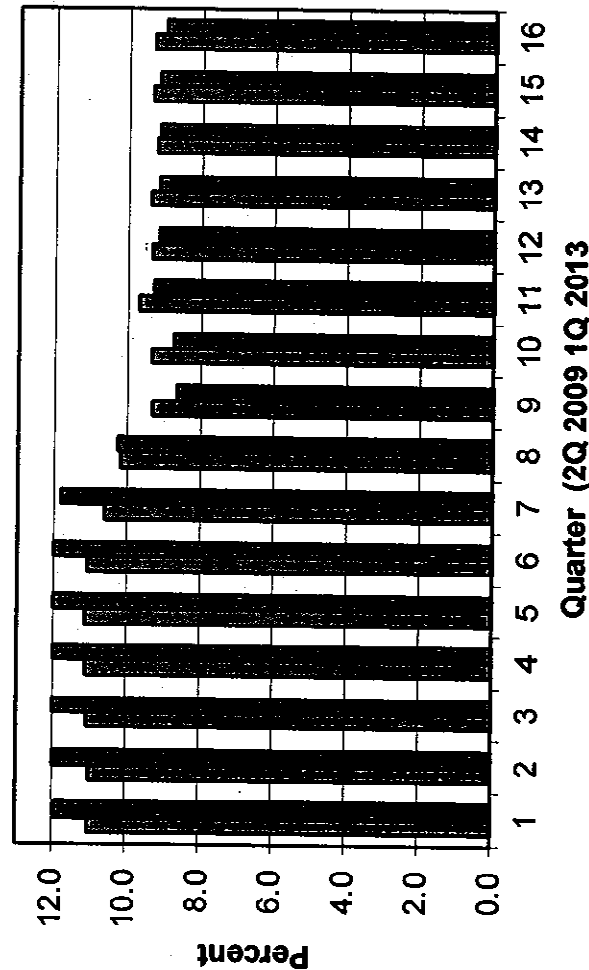
Low  
7.5  
6.5  
6.5  
6.5  
6.5  
6.5  
6.5  
6.5  
6.5  
6.5  
8.0  
6.5  
6.7  
6.8  
6.9  
7.1

High  
13.4  
13.4  
13.4  
13.4  
13.4  
13.4  
12.5  
12.5  
12.5  
12.5  
12.3  
12.0  
12.0  
12.0  
12.0  
12.0

Company POS Trends  
2Q 2009 to 1Q 2013



POS Mean & Median Trends  
2Q 2009 to 1Q 2013



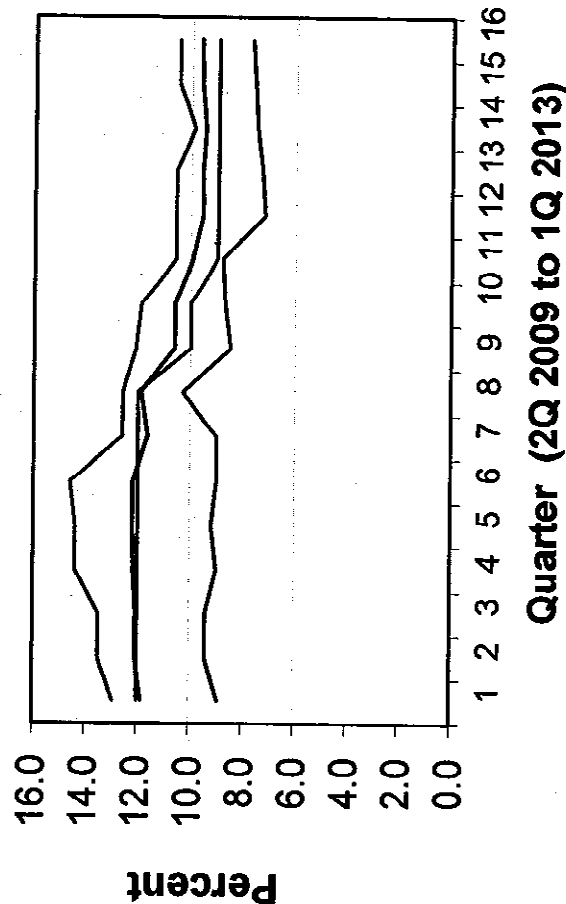
LAKE CONSULTING, INC.  
QUARTERLY MEDICAL TREND SURVEY

VA, MD, DC Area  
PPO Summary for 2Q 2009 to 1Q 2013

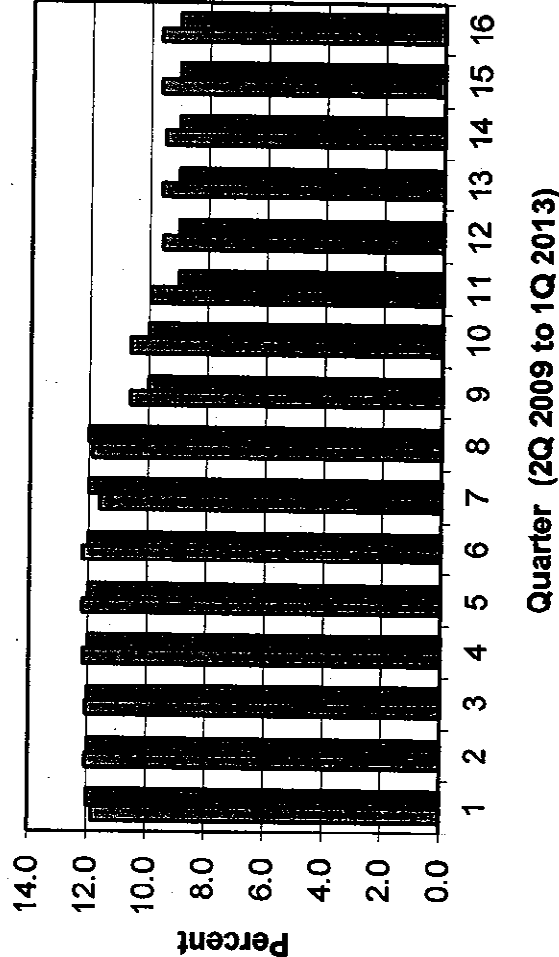
| Co. C    |      |
|----------|------|
| 2 Q 2009 | 13.4 |
| 3 Q 2009 | 13.4 |
| 4 Q 2009 | 13.4 |
| 1 Q 2010 | 13.4 |
| 2 Q 2010 | 13.4 |
| 3 Q 2010 | 13.4 |
| 4 Q 2010 | 12.5 |
| 1 Q 2011 | 12.5 |
| 2 Q 2011 | 12.5 |
| 3 Q 2011 | 12.5 |
| 4 Q 2011 | 12.3 |
| 1 Q 2012 | 12.0 |
| 2 Q 2012 | 12.0 |
| 3 Q 2012 | 12.0 |
| 4 Q 2012 | 12.0 |
| 1 Q 2013 | 12.0 |

| Low  | High |
|------|------|
| 8.9  | 13.4 |
| 9.4  | 13.5 |
| 9.4  | 13.5 |
| 9.0  | 14.4 |
| 9.2  | 14.4 |
| 9.0  | 14.6 |
| 9.0  | 12.6 |
| 10.3 | 12.6 |
| 8.5  | 12.5 |
| 8.7  | 12.5 |
| 8.8  | 12.3 |
| 7.2  | 12.0 |
| 7.3  | 12.0 |
| 7.5  | 12.0 |
| 7.6  | 12.0 |
| 7.7  | 12.0 |

Company PPO Trends  
2Q 2009 to 1Q 2013



PPO Mean & Median Trends  
2Q 2009 to 1Q 2013



# LAKE CONSULTING, INC. QUARTERLY MEDICAL TREND SURVEY

VA, MD, DC Area

Indemnity Summary for 2Q 2009 to 1Q 2013

Co. C

2 Q 2009  
3 Q 2009  
4 Q 2009  
1 Q 2010  
2 Q 2010  
3 Q 2010  
4 Q 2010  
1 Q 2011  
2 Q 2011  
3 Q 2011  
4 Q 2011  
1 Q 2012  
2 Q 2012  
3 Q 2012  
4 Q 2012  
1 Q 2013

13.4  
13.4  
13.4  
13.4  
13.4  
13.4  
13.4

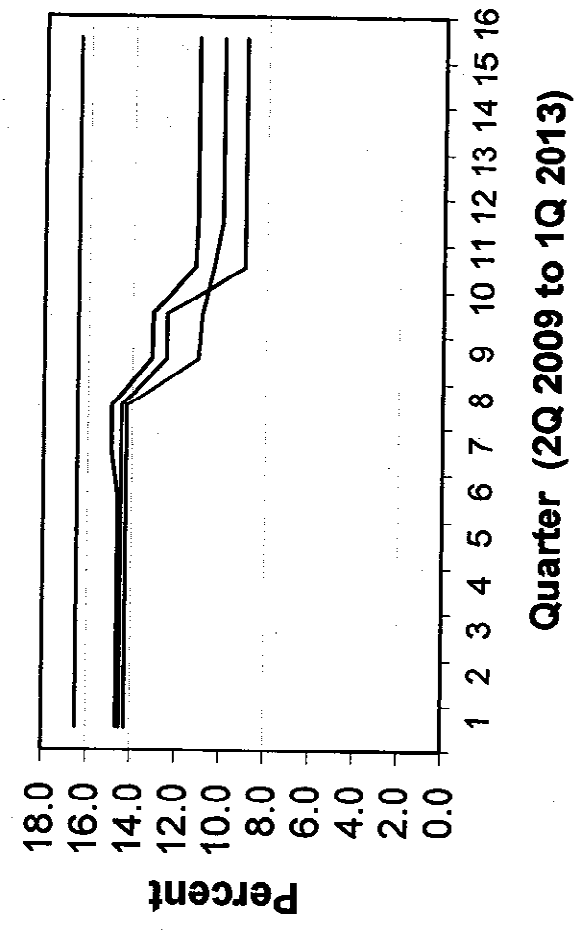
Low

13.4  
13.4  
13.4  
13.4  
13.4  
13.4  
14.3  
14.3  
11.1  
10.9  
9.0  
9.0  
9.0  
9.0  
9.0  
9.0  
9.0

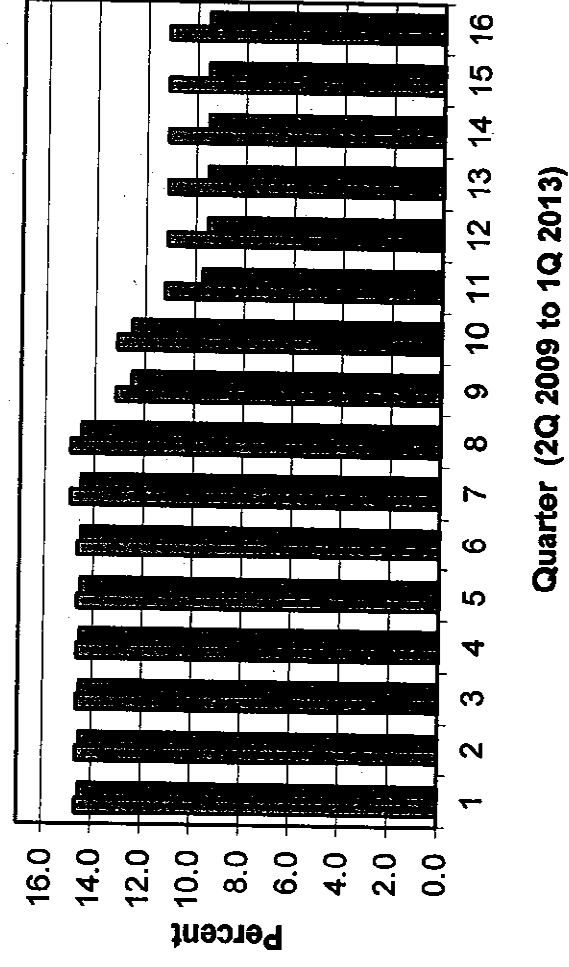
High

16.5  
16.5  
16.5  
16.5  
16.5  
16.5  
16.5  
16.5  
16.5  
16.5  
16.5  
16.5  
16.5  
16.5  
16.5  
16.5  
16.5

Company Indemnity Trends  
2Q 2009 to 1Q 2013



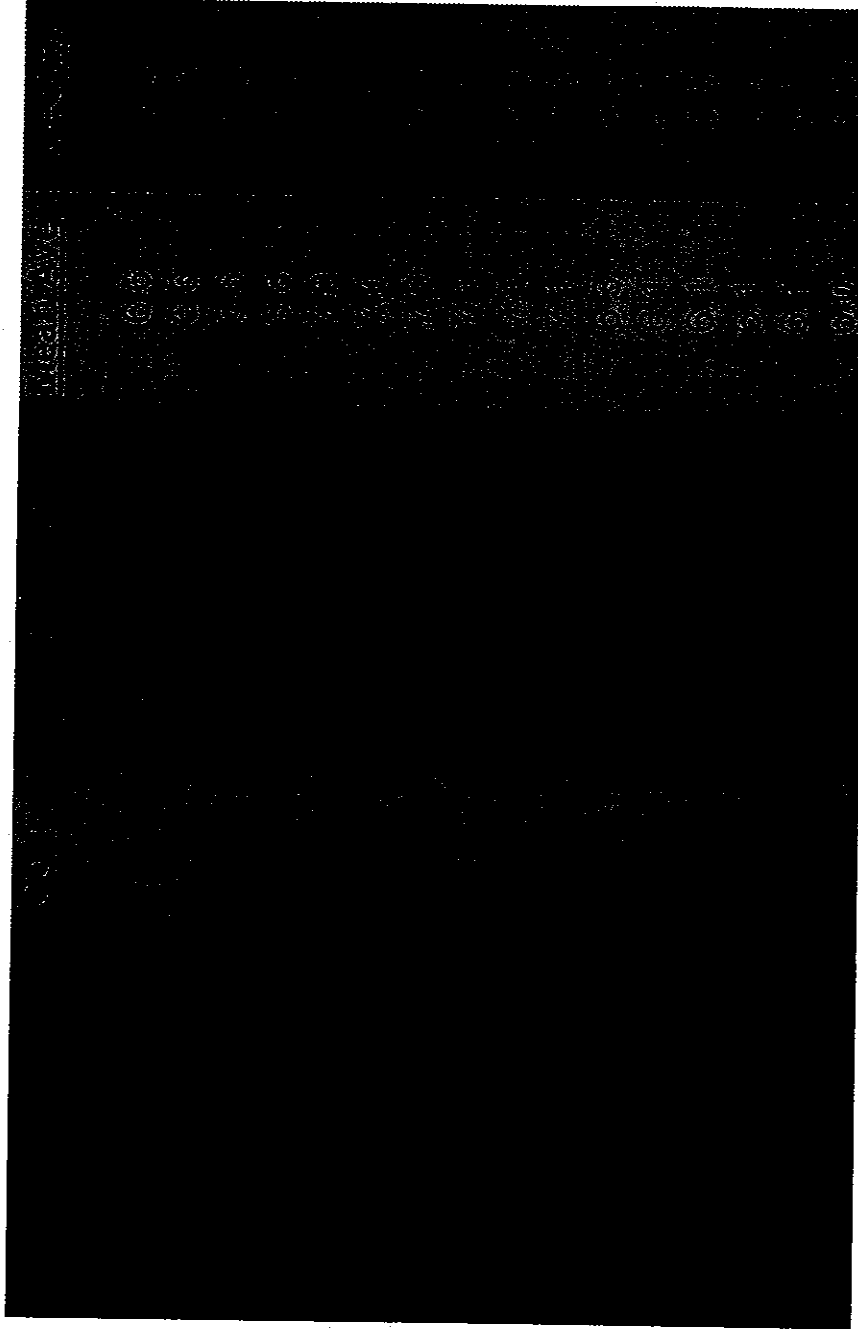
Indemnity Mean & Median Trends  
2Q 2009 to 1Q 2013



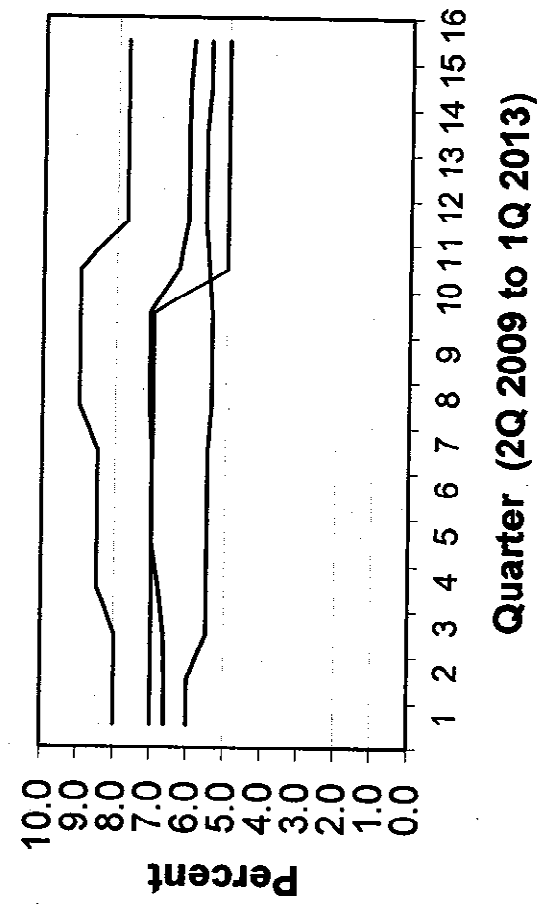
LAKE CONSULTING, INC.  
QUARTERLY MEDICAL TREND SURVEY

VA, MD, DC Area

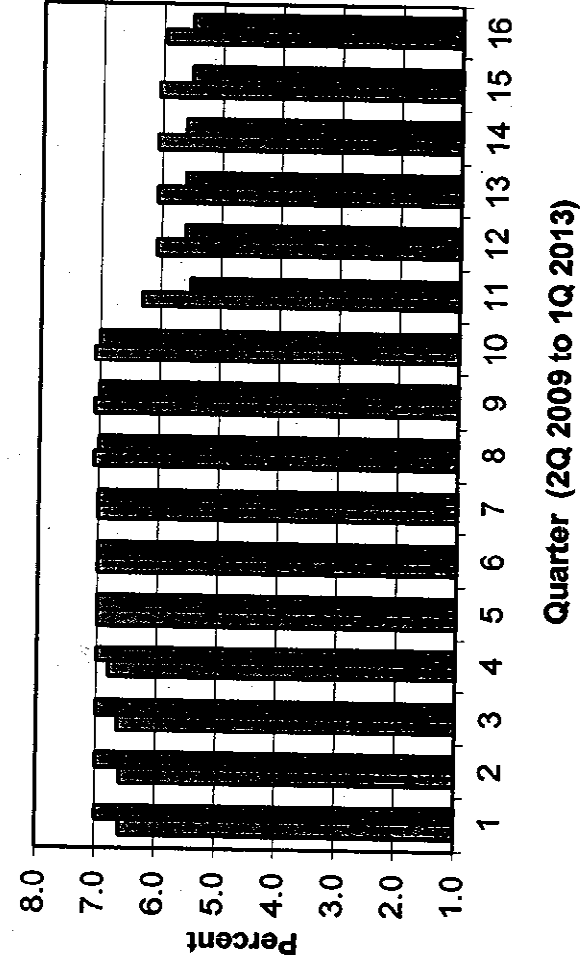
Dental Summary for 2Q 2009 to 1Q 2013

| Co. C    |     | Low                                                                                 |  | High |  |
|----------|-----|-------------------------------------------------------------------------------------|--|------|--|
| 2 Q 2009 | 5.0 |  |  | 8.0  |  |
| 3 Q 2009 | 5.0 |                                                                                     |  | 8.0  |  |
| 4 Q 2009 | 5.7 |                                                                                     |  | 8.0  |  |
| 1 Q 2010 | 6.0 |                                                                                     |  | 8.5  |  |
| 2 Q 2010 | 7.0 |                                                                                     |  | 8.5  |  |
| 3 Q 2010 | 7.0 |                                                                                     |  | 8.5  |  |
| 4 Q 2010 | 7.0 |                                                                                     |  | 8.5  |  |
| 1 Q 2011 | 7.0 |                                                                                     |  | 9.0  |  |
| 2 Q 2011 | 7.0 |                                                                                     |  | 9.0  |  |
| 3 Q 2011 | 7.0 |                                                                                     |  | 9.0  |  |
| 4 Q 2011 | 7.0 |                                                                                     |  | 9.0  |  |
| 1 Q 2012 | 7.0 |                                                                                     |  | 9.0  |  |
| 2 Q 2012 | 7.0 |                                                                                     |  | 7.8  |  |
| 3 Q 2012 | 7.0 |                                                                                     |  | 7.8  |  |
| 4 Q 2012 | 7.0 |                                                                                     |  | 7.8  |  |
| 1 Q 2013 | 6.5 |                                                                                     |  | 7.8  |  |

Company Dental Trends  
2Q 2009 to 1Q 2013



Dental Mean & Median Trends  
2Q 2009 to 1Q 2013



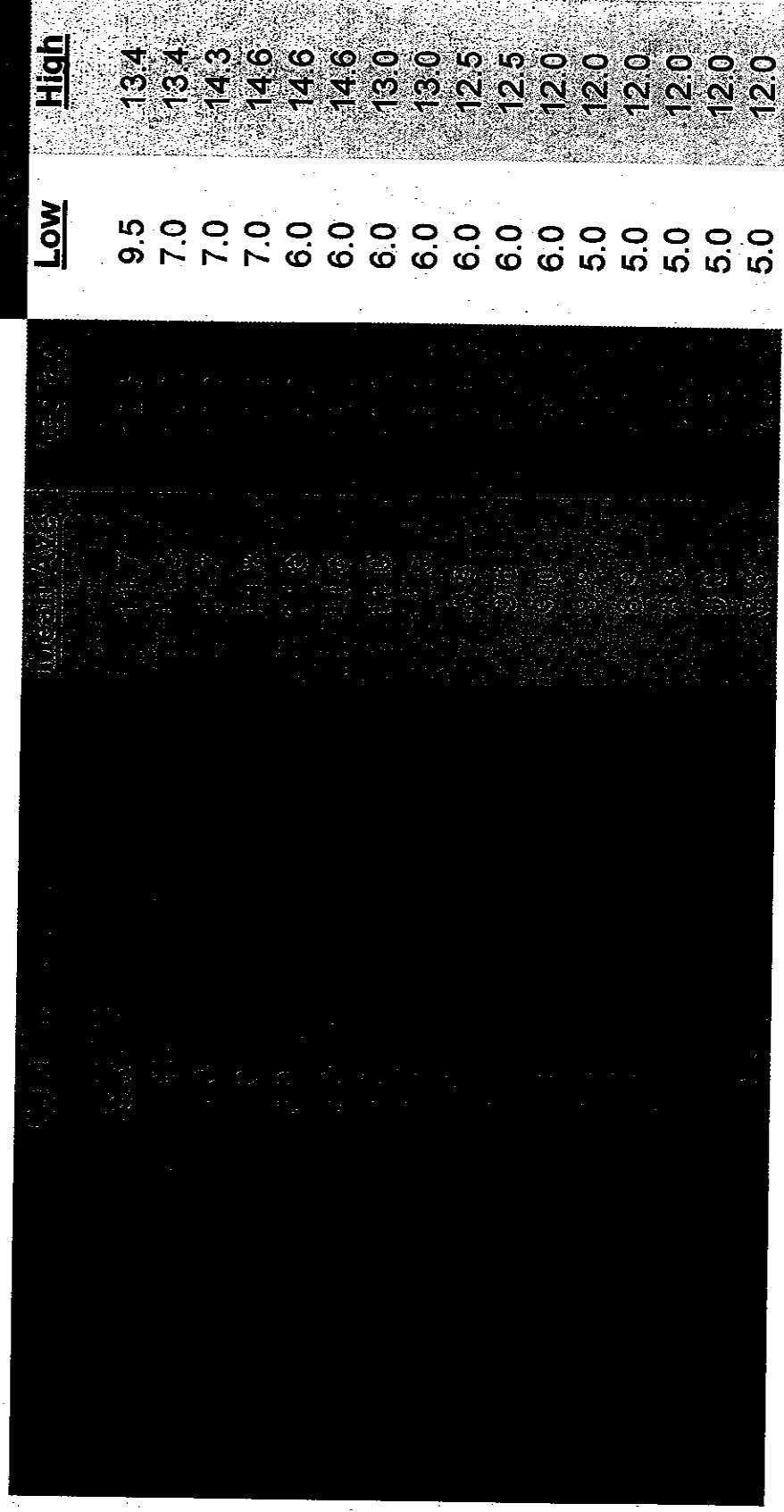


LAKE CONSULTING, INC.  
QUARTERLY MEDICAL TREND SURVEY

VA, MD, DC Area

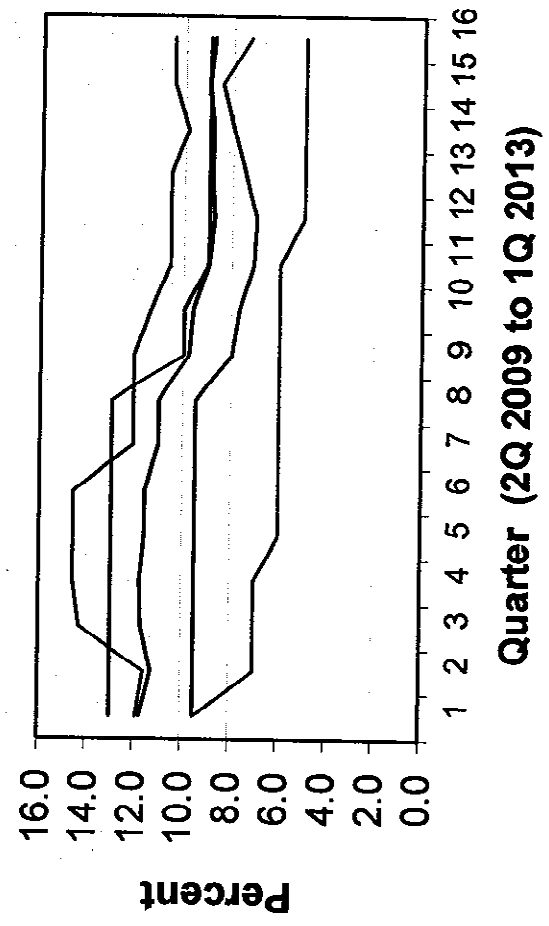
Pharmacy Summary for 2Q 2009 to 1Q 2013

| Co. C    |      |
|----------|------|
| 2 Q 2009 | 13.4 |
| 3 Q 2009 | 13.4 |
| 4 Q 2009 | 13.4 |
| 1 Q 2010 | 13.4 |
| 2 Q 2010 | 13.4 |
| 3 Q 2010 | 13.4 |
| 4 Q 2010 | 12.5 |
| 1 Q 2011 | 12.5 |
| 2 Q 2011 | 12.5 |
| 3 Q 2011 | 12.5 |
| 4 Q 2011 | 12.0 |
| 1 Q 2012 | 12.0 |
| 2 Q 2012 | 12.0 |
| 3 Q 2012 | 12.0 |
| 4 Q 2012 | 12.0 |
| 1 Q 2013 | 12.0 |

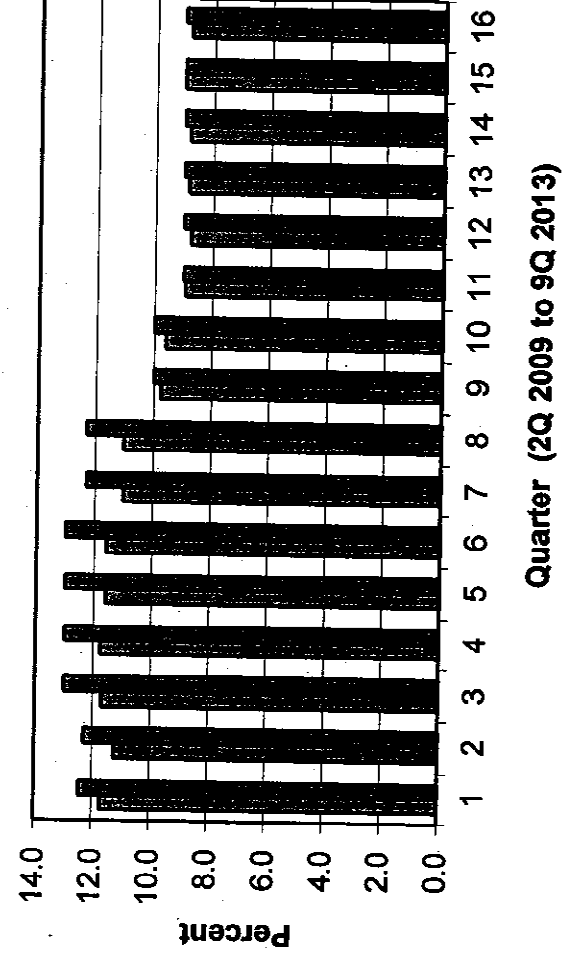


| Low | High |
|-----|------|
| 9.5 | 13.4 |
| 7.0 | 13.4 |
| 7.0 | 14.3 |
| 7.0 | 14.6 |
| 6.0 | 14.6 |
| 6.0 | 14.6 |
| 6.0 | 13.0 |
| 6.0 | 13.0 |
| 6.0 | 12.5 |
| 6.0 | 12.5 |
| 6.0 | 12.0 |
| 5.0 | 12.0 |
| 5.0 | 12.0 |
| 5.0 | 12.0 |
| 5.0 | 12.0 |
| 5.0 | 12.0 |

Company Pharmacy Trends  
2Q 2009 to 1Q 2013



Pharmacy Mean & Median Trends  
2Q 2009 to 1Q 2013



LAKE CONSULTING, INC.  
QUARTERLY MEDICAL TREND SURVEY

VA, MD, DC Area

CDHP Summary for 2Q 2009 to 1Q 2013

Co. C

2 Q 2009  
3 Q 2009  
4 Q 2009  
1 Q 2010  
2 Q 2010  
3 Q 2010  
4 Q 2010  
1 Q 2011  
2 Q 2011  
3 Q 2011  
4 Q 2011  
1 Q 2012  
2 Q 2012  
3 Q 2012  
4 Q 2012  
1 Q 2013

13.4  
13.4  
13.4  
13.4  
13.4  
13.4  
12.5  
12.5  
12.5  
12.5  
12.3  
12.0  
12.0  
12.0  
12.0  
12.0

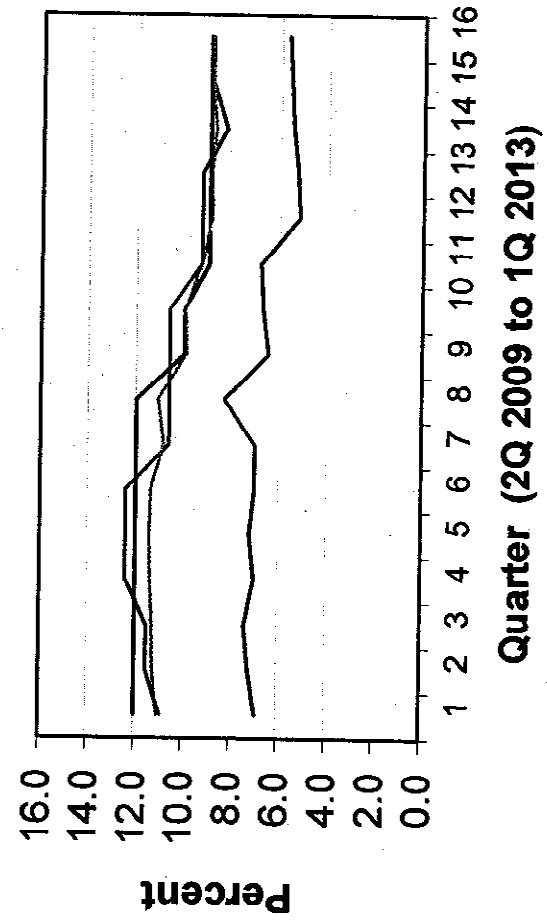
Low

6.9  
7.2  
7.4  
7.0  
7.2  
7.0  
7.0  
8.3  
6.5  
6.7  
6.8  
5.2  
5.3  
5.5  
5.6  
5.7

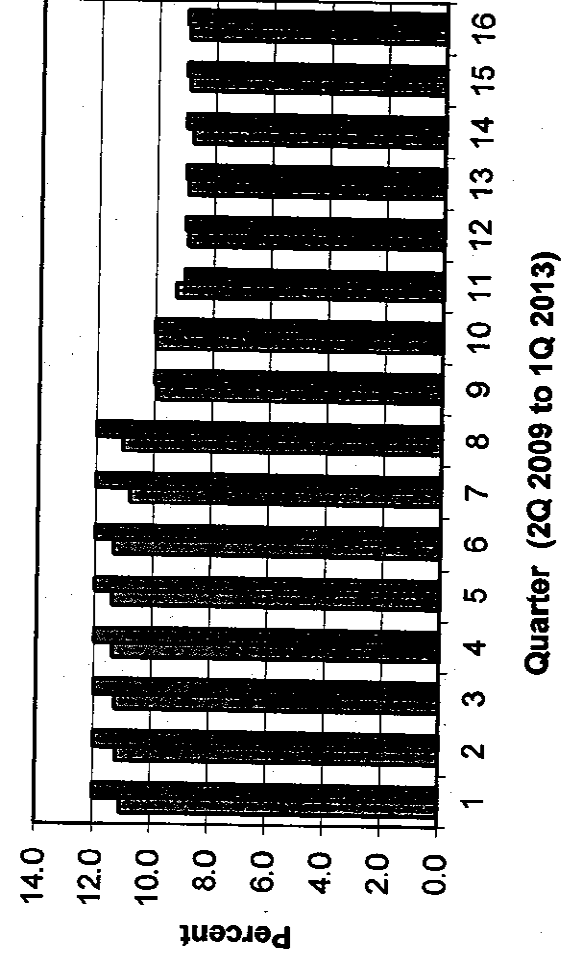
High

13.4  
13.4  
13.4  
13.4  
13.4  
13.4  
12.5  
12.5  
12.5  
12.5  
12.3  
12.0  
12.0  
12.0  
12.0  
12.0

Company CDHP Trends  
2Q 2009 to 1Q 2013



CDHP Mean & Median Trends  
2Q 2009 to 1Q 2013



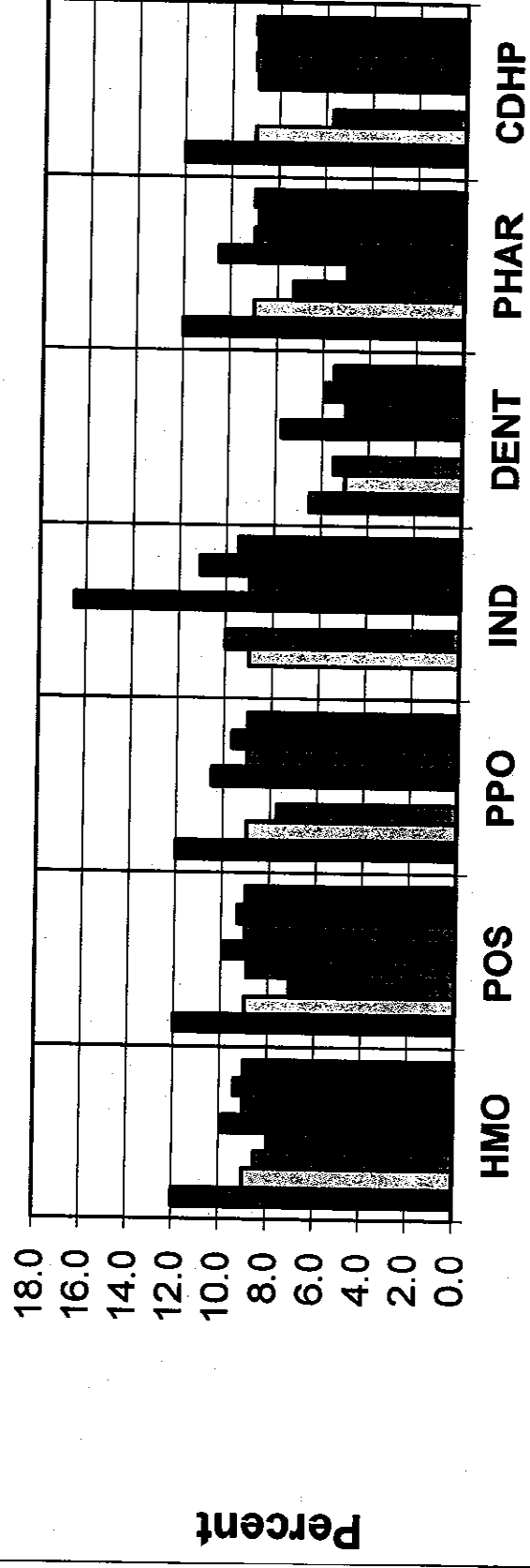
LAKE CONSULTING, INC.  
QUARTERLY MEDICAL TREND SURVEY

VA, MD, DC Area

Annual Medical Trends Being Used for 1st Quarter 2013

|           | X | X | X | X | X |  | Low |
|-----------|---|---|---|---|---|--|-----|
| HMO       |   |   |   |   |   |  | 7.9 |
| POS       |   |   |   |   |   |  | 7.1 |
| PPO       |   |   |   |   |   |  | 7.7 |
| Indemnity |   |   |   |   |   |  | 9.0 |
| Dental    |   |   |   |   |   |  | 5.0 |
| Pharmacy  |   |   |   |   |   |  | 5.0 |
| CDHP      |   |   |   |   |   |  | 5.7 |

2012 Medical Trends as of 1Q 2013



Delmarva Power & Light Company  
Delaware Distribution  
Remove Executive Incentive Compensation  
12 Months Ending December 2012

Schedule (JCZ)-10  
Adjustment 11

| (1)<br>Line<br>No. | (2)<br><u>Item</u>                      | (3)<br><u>Distribution</u> |
|--------------------|-----------------------------------------|----------------------------|
| 1                  | Remove Executive Incentive Compensation |                            |
| 2                  | Delaware Distribution                   | (\$2,175,633)              |
| 3                  |                                         |                            |
| 4                  | Income Taxes                            |                            |
| 5                  | State Income Tax                        | \$189,280                  |
| 6                  | Federal Income Tax                      | <u>\$695,224</u>           |
| 7                  | Total Income Taxes                      | \$884,504                  |
| 8                  |                                         |                            |
| 9                  | Earnings                                | \$1,291,130                |

**Delmarva Power & Light Company**  
**Delaware Distribution**  
**Removal of Certain Executive/Officer Compensation**  
**12 Months Ending December 2012**

**Schedule (JCZ)-11**  
**Adjustment 12**

| (1)<br>Line<br>No. | (2)<br><u>Description</u>                            | (3)<br><u>Adjustment</u> |
|--------------------|------------------------------------------------------|--------------------------|
| 1                  | Dividends Restricted Stock                           | (\$159,192)              |
| 2                  | Company Match Deferred Compensation                  | (\$50,184)               |
| 3                  | Tax Preparation Fee                                  | (\$12,500)               |
| 4                  | Financial Planning Fee                               | (\$50,415)               |
| 5                  | Executive Physical Fee                               | (\$1,600)                |
| 6                  | Club Dues                                            | (\$9,501)                |
| 7                  | Spousal Travel                                       | (\$7,634)                |
| 8                  |                                                      |                          |
| 9                  |                                                      |                          |
| 10                 | Total Compensation                                   | (\$291,026)              |
| 11                 |                                                      |                          |
| 12                 | DPL (as % of PHI)                                    | 30.03%                   |
| 13                 | DPL Expense                                          | (\$88,351)               |
| 14                 | DPL Electric (vs. Gas) %                             | 82.93%                   |
| 15                 | DPL Electric Expense                                 | (\$73,269)               |
| 16                 | DPL Electric Distribution (vs. Transmission) %       | 92.81%                   |
| 17                 | DPL Electric Distribution Expense                    | (\$67,084)               |
| 18                 | DPL Electric DE Distribution (vs. MD Distribution) % | 58.58%                   |
| 19                 | DPL Electric DE Distribution Expense                 | (\$39,419)               |
| 20                 |                                                      |                          |
| 21                 | State Income Tax Rate                                | 8.70%                    |
| 22                 | Effect on State income tax expense                   | \$3,429                  |
| 23                 |                                                      |                          |
| 24                 | Federal Taxable                                      | (\$35,990)               |
| 25                 | Federal Income Tax Rate                              | 35%                      |
| 26                 | Effect on Federal income tax expense                 | \$12,596                 |
| 27                 |                                                      |                          |
| 28                 | Total Expense                                        | (\$23,393)               |
| 29                 |                                                      |                          |
| 30                 | Impact to Operating Income                           | \$23,393                 |

Delmarva Power & Light Company  
Delaware Distribution

Normalization of Storm Restoration Expense  
12 Months Ending December 2012

| (1)<br>Line<br>No. | (2)<br><u>Item</u>                                       | (3)<br><u>Detail</u>    |
|--------------------|----------------------------------------------------------|-------------------------|
| 1                  | Delaware Electric Distribution Storm Restoration Expense |                         |
| 2                  | (3 Year Average)                                         | \$11,253,977 (1)        |
| 3                  |                                                          |                         |
| 4                  | Delaware Electric Distribution Storm Restoration Expense |                         |
| 5                  | Included in Test Period:                                 | <u>\$12,025,188</u>     |
| 6                  |                                                          |                         |
| 7                  | Adjustment to Delaware Distribution O&M                  |                         |
| 8                  | Storm Restoration Expense                                | (\$771,210)             |
| 9                  |                                                          |                         |
| 10                 | SIT                                                      | \$67,095                |
| 11                 | FIT                                                      | <u>\$246,440</u>        |
| 12                 |                                                          |                         |
| 13                 | Net Expense                                              | (\$457,675)             |
| 14                 |                                                          |                         |
| 15                 | Earnings                                                 | <u><u>\$457,675</u></u> |

| (1) <u>System Electric</u> | <u>Distribution</u> | <u>DE D Alloc</u>  | <u>Major Storms</u> | <u>DE Distribution</u> |
|----------------------------|---------------------|--------------------|---------------------|------------------------|
| 12 m/e 12/31/10            | \$15,299,298        | \$8,993,860        |                     | \$8,993,860            |
| 12 m/e 12/31/11            | \$15,966,187        | \$9,406,527        | \$3,336,357         | \$12,742,884           |
| 12 m/e 12/31/12            | <u>\$12,688,671</u> | <u>\$7,433,506</u> | \$4,591,682         | <u>\$12,025,188</u>    |
| Average                    | \$14,651,385        | \$8,611,298        |                     | \$11,253,977           |

|                 |             |
|-----------------|-------------|
| Derecho         | \$647,202   |
| Hurricane Sandy | \$3,944,480 |
| Hurricane Irene | \$3,336,357 |

Delmarva Power & Light Company  
Delaware Distribution  
Reflect IRP Related Recurring Costs  
12 Months Ending December 2012

Schedule (JCZ)-13  
Adjustment 14

| (1)<br>Line<br>No. | (2)<br><u>Item</u>    | (3)<br><u>System<br/>Electric</u> | (4)<br><u>DE D<br/>Alloc Factor</u> | (5)<br><u>DE<br/>Distribution</u> |
|--------------------|-----------------------|-----------------------------------|-------------------------------------|-----------------------------------|
| 1                  | <u>Earnings</u>       |                                   |                                     |                                   |
| 2                  | Annual Expense        | \$872,500                         | 100%                                | \$872,500 (1)                     |
| 3                  | Amount in Test Period |                                   |                                     | \$295,584                         |
| 4                  | Adjustment            |                                   |                                     | <u>\$576,916</u>                  |
| 5                  |                       |                                   |                                     |                                   |
| 6                  | State Income Tax      |                                   |                                     | (\$50,192)                        |
| 7                  | Federal Income Tax    |                                   |                                     | <u>(\$184,354)</u>                |
| 8                  | Total Expenses        |                                   |                                     | \$342,371                         |
| 9                  |                       |                                   |                                     |                                   |
| 10                 | Earnings              |                                   |                                     | (\$342,371)                       |

(1) Projected Bi-Annual IRP Cycle Expenses

|                                   |                         |
|-----------------------------------|-------------------------|
| ICF IPM Modeling & Scenarios      | \$350,000               |
| Air Quality Modeling & Analysis   | \$200,000               |
| Portfolio Analysis                | \$150,000               |
| Life Cycle Analysis               | \$125,000               |
| Annual Report to General Assembly | \$20,000                |
| PSC Consultants                   | \$100,000               |
| Outside Legal Expenses            | \$500,000               |
| Consultant Support                | \$150,000               |
| Special Studies                   | <u>\$150,000</u>        |
| Total Cost Per Cycle              | \$1,745,000             |
| # of Years in IRP Cycle           | <u>2</u>                |
| Annualized Cost                   | <u><u>\$872,500</u></u> |

Delmarva Power & Light Company  
Delaware Distribution  
Amortize IRP Related Deferred Costs  
12 Months Ending December 2012

Schedule (JCZ)-14  
Adjustment 15

| (1)<br>Line<br>No. | (2)<br><u>Item</u>          | (3)<br><u>System<br/>Electric</u> | (4)<br><u>DE D<br/>Alloc Factor</u> | (5)<br><u>DE<br/>Distribution</u> |
|--------------------|-----------------------------|-----------------------------------|-------------------------------------|-----------------------------------|
| 1                  | <u>Earnings</u>             |                                   |                                     |                                   |
| 2                  | Amortization                | \$10,194                          | 100%                                | \$10,194 (1)                      |
| 3                  |                             |                                   |                                     |                                   |
| 4                  | State Income Tax            |                                   |                                     | (\$887)                           |
| 5                  | Federal Income Tax          |                                   |                                     | <u>(\$3,258)</u>                  |
| 6                  | Total Expenses              |                                   |                                     | \$6,050                           |
| 7                  |                             |                                   |                                     |                                   |
| 8                  | Earnings                    |                                   |                                     | (\$6,050)                         |
| 9                  |                             |                                   |                                     |                                   |
| 10                 | <u>Rate Base</u>            |                                   |                                     |                                   |
| 11                 | Average Amortizable Balance | \$96,847                          | 100%                                | \$96,847 (2)                      |
| 12                 |                             |                                   |                                     |                                   |
| 13                 | Deferred State Income Tax   |                                   |                                     | (\$8,426)                         |
| 14                 | Deferred Federal Income Tax |                                   |                                     | <u>(\$30,947)</u>                 |
| 15                 | Net Rate Base               |                                   |                                     | \$57,474                          |

|                                 |                 |
|---------------------------------|-----------------|
| (1) DP&L Delaware               | \$101,944       |
| Amortization period - years     | 10              |
| Annual amortization amount      | \$10,194        |
| (2) DP&L Delaware - beg balance | \$101,944       |
| DP&L Delaware - end balance     | <u>\$91,750</u> |
| DP&L Delaware - avg balance     | \$96,847        |



Delmarva Power & Light Company  
Delaware Distribution  
Amortize RFP Related Deferred Costs  
12 Months Ending December 2012

Schedule (JCZ)-15  
Adjustment 16

| (1)<br>Line<br>No. | (2)<br><u>Item</u>          | (3)<br><u>System<br/>Electric</u> | (4)<br><u>DE D<br/>Alloc Factor</u> | (5)<br><u>DE<br/>Distribution</u> |
|--------------------|-----------------------------|-----------------------------------|-------------------------------------|-----------------------------------|
| 1                  | <u>Earnings</u>             |                                   |                                     |                                   |
| 2                  | Amortization                | \$5,102                           | 100%                                | \$5,102 (1)                       |
| 3                  |                             |                                   |                                     |                                   |
| 4                  | State Income Tax            |                                   |                                     | (\$444)                           |
| 5                  | Federal Income Tax          |                                   |                                     | (\$1,630)                         |
| 6                  | Total Expenses              |                                   |                                     | <u>\$3,028</u>                    |
| 7                  |                             |                                   |                                     |                                   |
| 8                  | Earnings                    |                                   |                                     | (\$3,028)                         |
| 9                  |                             |                                   |                                     |                                   |
| 10                 | <u>Rate Base</u>            |                                   |                                     |                                   |
| 11                 | Average Amortizable Balance | \$48,469                          | 100%                                | \$48,469 (2)                      |
| 12                 |                             |                                   |                                     |                                   |
| 13                 | Deferred State Income Tax   |                                   |                                     | (\$4,217)                         |
| 14                 | Deferred Federal Income Tax |                                   |                                     | (\$15,488)                        |
| 15                 | Net Rate Base               |                                   |                                     | <u>\$28,764</u>                   |

|     |                             |                 |
|-----|-----------------------------|-----------------|
| (1) | DP&L Delaware               | \$51,020        |
|     | Amortization period - years | 10              |
|     | Annual amortization amount  | \$5,102         |
| (2) | DP&L Delaware - beg balance | \$51,020        |
|     | DP&L Delaware - end balance | \$45,918        |
|     | DP&L Delaware - avg balance | <u>\$48,469</u> |

**Delmarva Power & Light Company**  
**Delaware Distribution**  
**Reflect AMI O&M Not in Cost of Service**  
**12 Months Ending December 2012**

**Schedule (JCZ)-16**  
**Adjustment 17**

| (1)<br>Line<br>No. | (2)<br><u>Item</u>                                         | (3)<br><u>\$</u>   |
|--------------------|------------------------------------------------------------|--------------------|
| 1                  | O&M Expense                                                |                    |
| 2                  | Communication Network Backhaul Costs                       | \$100,115          |
| 3                  | Silver Spring Networks Software License & Maintenance Fees | \$236,861          |
| 4                  | IEE MDMS Software Maintenance Fees                         | \$78,690           |
| 5                  | IBM Websphere Business Events Software Maintenance Fees    | \$9,131            |
| 6                  | Oracle Data Base Software Maintenance Fees                 | \$62,374           |
| 7                  | MDMS Server Lease Cost                                     | \$78,534           |
| 8                  | UIQ Managed Services                                       | \$786,971          |
| 9                  | Incremental workforce - AMI Operations Analysts            | \$177,774          |
| 10                 | Incremental workforce - Translation Specialists            | \$380,640          |
| 11                 | IT System Support                                          | <u>\$284,894</u>   |
| 12                 |                                                            |                    |
| 13                 | Total                                                      | \$2,195,985        |
| 14                 |                                                            |                    |
| 15                 | Income Taxes                                               |                    |
| 16                 | State Income Tax                                           | (\$191,051)        |
| 17                 | Federal Income Tax                                         | <u>(\$701,727)</u> |
| 18                 | Total Income Taxes                                         | (\$892,778)        |
| 19                 |                                                            |                    |
| 20                 | Net Expense                                                | \$1,303,207        |
| 21                 |                                                            |                    |
| 22                 | Earnings                                                   | (\$1,303,207)      |

Delmarva Power & Light Company  
Delaware Distribution  
Reflect AMI O&M Savings Not in Cost of Service  
12 Months Ending December 2012

Schedule (JCZ)-17  
Adjustment 18

| (1)<br>Line<br>No. | (2)<br>Item                                                             | (3)<br>Blueprint Business Plan<br>\$ | (4)<br>2012 Actual<br>\$ | (5)<br>Pending Savings*<br>\$ | (6)<br>Adjustment**<br>\$ |
|--------------------|-------------------------------------------------------------------------|--------------------------------------|--------------------------|-------------------------------|---------------------------|
| 1                  | Eliminate Manual Meter Reading Costs                                    | \$3,564,000                          | \$3,790,505              |                               |                           |
| 2                  | Implement Remote Turn-On/Turn-Off Functionality                         | \$1,592,000                          | \$0                      | (\$732,320)                   | (\$859,680)               |
| 3                  | Improve Billing Activities                                              | \$484,000                            | \$191,760                |                               | (\$292,240)               |
| 4                  | Reduce Off-Cycle Meter Reading Labor Costs                              | \$372,000                            | \$268,849                |                               | (\$103,151)               |
| 5                  | Asset Optimization                                                      | \$219,000                            | \$0                      |                               |                           |
| 6                  | Reduce Expenses Related to Theft                                        | \$88,000                             | \$0                      |                               | (\$88,000)                |
| 7                  | Eliminate Hardware, Software and O&M Related to I-Tron Handheld Devices | \$75,000                             | \$99,087                 |                               |                           |
| 8                  | Reduce Volume of Customer Calls Related to Metering                     | \$29,000                             | \$16,416                 |                               | (\$12,584)                |
| 9                  | Reduce Complaint Handling                                               | \$24,000                             | \$11,803                 |                               | (\$12,197)                |
| 10                 |                                                                         |                                      |                          |                               |                           |
| 11                 | Total                                                                   | \$6,447,000                          | \$4,378,420              | (\$732,320)                   | (\$1,367,852)             |
| 12                 |                                                                         |                                      |                          |                               |                           |
| 13                 | Income Taxes                                                            |                                      |                          |                               |                           |
| 14                 | State Income Tax                                                        |                                      |                          |                               | \$119,003                 |
| 15                 | Federal Income Tax                                                      |                                      |                          |                               | \$437,097                 |
| 16                 | Total Income Taxes                                                      |                                      |                          |                               | \$556,100                 |
| 17                 |                                                                         |                                      |                          |                               |                           |
| 18                 | Total - Net Expense                                                     |                                      |                          |                               | (\$811,752)               |
| 19                 |                                                                         |                                      |                          |                               |                           |
| 20                 | Earnings                                                                |                                      |                          |                               | \$811,752                 |

Footnotes

\* Remote Turn-On/Off

Customer-Requested Moves/Adds/Successions

\$859,680

Failure to Pay and other Involuntary Service Terminations\*\*\*

\$732,320

Total

\$1,592,000

\*\* The purpose of the adjustment is to give customers the business plan level of savings if that savings level was not recorded in 2012. For the Manual Meter Reading and I-Tron O&M savings, the 2012 savings exceeded the business plan levels so no adjustment is required for them. Asset optimization savings are excluded from this adjustment since the reduction in avoided truck rolls during restoration efforts:  
(1) - allow trucks to be redeployed and more quickly begin restoration efforts for customers without service - thus, reducing overall restoration time for the storms  
(2) - have their avoided costs (i.e. labor and vehicle costs) already reflected in test period cost of service.

\*\*\* Achievement of these savings is subject to approval of currently pending request to amend the regulations found at Section 3002 of the Delaware Administrative Code. Once approval of the request is granted and depending on the timing of such approval, these savings would be credited as a regulatory asset.

Delmarva Power & Light Company  
Delaware Distribution  
Reflect AMI Depreciation & Amortization Not in Cost of Service  
12 Months Ending December 2012

Schedule (JCZ)-18  
Adjustment 19

| (1)<br>Line<br>No. | (2)<br><u>Item</u>                                                        | (3)<br>\$          |
|--------------------|---------------------------------------------------------------------------|--------------------|
| 1                  | Depreciation                                                              |                    |
| 2                  | Meters                                                                    | \$596,292          |
| 3                  |                                                                           |                    |
| 4                  | Amortization                                                              |                    |
| 5                  | Meter Data Management System                                              | \$314,174          |
| 6                  | AMI-Related Systems in Customer Information System                        | \$615,672          |
| 7                  | AMI Software                                                              | \$263,883          |
| 8                  | AMI UIQ System                                                            | \$251,490          |
| 9                  | AMI and IEE Systems                                                       | \$574,022          |
| 10                 | AMI-Related Systems in Outage Management System, COP Software H/W and S/W | \$185,935          |
| 11                 | Total                                                                     | \$2,205,176        |
| 12                 |                                                                           |                    |
| 13                 | Total                                                                     | \$2,801,468        |
| 14                 |                                                                           |                    |
| 15                 | Income Taxes                                                              |                    |
| 16                 | State Income Tax                                                          | (\$243,728)        |
| 17                 | Federal Income Tax                                                        | <u>(\$895,209)</u> |
| 18                 | Total Income Taxes                                                        | (\$1,138,937)      |
| 19                 |                                                                           |                    |
| 20                 | Net Expense                                                               | \$1,662,531        |
| 21                 |                                                                           |                    |
| 22                 | Earnings                                                                  | (\$1,662,531)      |

Delmarva Power & Light Company  
Delaware Distribution  
Amortize Dynamic Pricing Regulatory Asset  
12 Months Ending December 2012

Schedule (JCZ)-19  
Adjustment 20

| (1)<br>Line<br>No. | (2)<br>Item                                                              | (3)<br>System<br>Electric | (4)<br>DE D<br>Alloc Factor | (5)<br>DE<br>Distribution |
|--------------------|--------------------------------------------------------------------------|---------------------------|-----------------------------|---------------------------|
| 1                  | <u>Earnings</u>                                                          |                           |                             |                           |
| 2                  | Amortization - Dynamic Pricing Regulatory Asset                          | \$446,632                 | 100%                        | \$446,632 (1)             |
| 3                  |                                                                          |                           |                             |                           |
| 4                  | State Income Tax                                                         |                           |                             | (\$38,857)                |
| 5                  | Federal Income Tax                                                       |                           |                             | (\$142,721)               |
| 6                  | Total Expenses                                                           |                           |                             | <u>\$265,054</u>          |
| 7                  |                                                                          |                           |                             |                           |
| 8                  | Earnings                                                                 |                           |                             | (\$265,054)               |
| 9                  |                                                                          |                           |                             |                           |
| 10                 | <u>Rate Base</u>                                                         |                           |                             |                           |
| 11                 | Average Amortizable Balance                                              | \$6,476,171               | 100%                        | \$6,476,171 (2)           |
| 12                 |                                                                          |                           |                             |                           |
| 13                 | Deferred State Income Tax                                                |                           |                             | (\$563,427)               |
| 14                 | Deferred Federal Income Tax                                              |                           |                             | (\$2,069,460)             |
| 15                 | Net Rate Base                                                            |                           |                             | <u>\$3,843,284</u>        |
| 16                 |                                                                          |                           |                             |                           |
| 17                 |                                                                          |                           |                             |                           |
| 18                 |                                                                          |                           |                             |                           |
| 19                 | (1) DP&L Delaware                                                        | \$6,699,487               |                             |                           |
| 20                 | Amortization period - years                                              | 15                        |                             |                           |
| 21                 | Annual amortization amount                                               | <u>\$446,632</u>          |                             |                           |
| 22                 |                                                                          |                           |                             |                           |
| 23                 | (2) DP&L Delaware - beg balance                                          | \$6,699,487               |                             |                           |
| 24                 | DP&L Delaware - end balance                                              | <u>\$6,252,855</u>        |                             |                           |
| 25                 | DP&L Delaware - avg balance                                              | <u>\$6,476,171</u>        |                             |                           |
| 26                 |                                                                          |                           |                             |                           |
| 27                 |                                                                          |                           |                             |                           |
| 28                 |                                                                          |                           |                             |                           |
| 29                 | <u>DPL DE Electric Dynamic Pricing Regulatory Asset</u>                  |                           |                             |                           |
| 30                 | Balance @ February 2013                                                  | \$2,976,459               |                             |                           |
| 31                 | Projected \$ Up To Rate Effective Period                                 |                           |                             |                           |
| 32                 | Outbound Calls for DP Events                                             | \$526,318                 |                             |                           |
| 33                 | IT System Support                                                        | \$133,333                 |                             |                           |
| 34                 | Customer Education                                                       | \$1,562,500               |                             |                           |
| 35                 | DP Analysis, Support & Call Overflow System                              | \$192,160                 |                             |                           |
| 36                 | Amortization Expense - Dynamic Pricing-Related MDMS Costs                | \$852,629                 |                             |                           |
| 37                 | Amortization Expense - Dynamic Pricing-Related Billing System Interfaces | \$326,361                 |                             |                           |
| 38                 | Return on Dynamic Pricing Regulatory Asset                               | <u>\$129,727</u>          |                             |                           |
| 39                 | Total                                                                    | <u>\$3,723,028</u>        |                             |                           |
| 40                 | Total                                                                    | <u>\$6,699,487</u>        |                             |                           |

Delmarva Power & Light Company  
Delaware Distribution  
Reflect Dynamic Pricing O&M Not in Cost of Service  
12 Months Ending December 2012

Schedule (JCZ)-20  
Adjustment 21

| (1)<br>Line<br>No. | (2)<br><u>Item</u>                                                 | (3)<br>System<br><u>Electric</u> | (4)<br>DE D<br><u>Alloc Factor</u> | (5)<br>DE<br><u>Distribution</u> |
|--------------------|--------------------------------------------------------------------|----------------------------------|------------------------------------|----------------------------------|
| 1                  | <u>Earnings</u>                                                    |                                  |                                    |                                  |
| 2                  | Recurring Operating & Maintenance Expenses - Rate Effective Period |                                  |                                    |                                  |
| 3                  | Outbound Calls for DP Events                                       | \$526,318                        | 100%                               | \$526,318                        |
| 4                  | IT System Support & Call Overflow System                           | \$223,970                        | 100%                               | \$223,970                        |
| 5                  | Total Recurring O&M Expenses                                       | <u>\$750,288</u>                 |                                    | <u>\$750,288</u>                 |
| 6                  |                                                                    |                                  |                                    |                                  |
| 7                  | State Income Tax                                                   |                                  |                                    | (\$65,275)                       |
| 8                  | Federal Income Tax                                                 |                                  |                                    | (\$239,755)                      |
| 9                  | Total Income Taxes                                                 |                                  |                                    | <u>(\$305,030)</u>               |
| 10                 |                                                                    |                                  |                                    |                                  |
| 11                 | Total Expenses                                                     |                                  |                                    | \$445,258                        |
| 12                 |                                                                    |                                  |                                    |                                  |
| 13                 | Earnings                                                           |                                  |                                    | (\$445,258)                      |

Delmarva Power & Light Company  
Delaware Distribution  
Reflect Dynamic Pricing Amortization Not in Cost of Service  
12 Months Ending December 2012

Schedule (JCZ)-21  
Adjustment 22

| (1)<br>Line<br>No. | (2)<br><u>Item</u>                                | (3)<br>System<br><u>Electric</u> | (4)<br>DE D<br><u>Alloc Factor</u> | (5)<br>DE<br><u>Distribution</u> |
|--------------------|---------------------------------------------------|----------------------------------|------------------------------------|----------------------------------|
| 1                  | <u>Earnings</u>                                   |                                  |                                    |                                  |
| 2                  | Amortization Expense                              |                                  |                                    |                                  |
| 3                  | Dynamic Pricing-Related MDMS Costs                | \$489,542                        | 100%                               | \$489,542                        |
| 4                  | Dynamic Pricing-Related Billing System Interfaces | \$746,050                        | 100%                               | \$746,050                        |
| 5                  | Total Recurring O&M Expenses                      | <u>\$1,235,592</u>               |                                    | <u>\$1,235,592</u>               |
| 6                  |                                                   |                                  |                                    |                                  |
| 7                  | State Income Tax                                  |                                  |                                    | (\$107,497)                      |
| 8                  | Federal Income Tax                                |                                  |                                    | (\$394,833)                      |
| 9                  | Total Income Taxes                                |                                  |                                    | <u>(\$502,330)</u>               |
| 10                 |                                                   |                                  |                                    |                                  |
| 11                 | Total Expenses                                    |                                  |                                    | \$733,262                        |
| 12                 |                                                   |                                  |                                    |                                  |
| 13                 | Earnings                                          |                                  |                                    | (\$733,262)                      |

Delmarva Power & Light Company  
Delaware Distribution  
Amortize Direct Load Control Regulatory Asset  
12 Months Ending December 2012

Schedule (JCZ)-22  
Adjustment 23

| (1)<br>Line<br>No. | (2)<br>Item                 | (3)<br>System<br>Electric | (4)<br>DE D<br>Alloc Factor | (5)<br>DE<br>Distribution |
|--------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
| 1                  | <u>Earnings</u>             |                           |                             |                           |
| 2                  | Amortization                | \$663,192                 | 100%                        | \$663,192 (1)             |
| 3                  |                             |                           |                             |                           |
| 4                  | State Income Tax            |                           |                             | (\$57,698)                |
| 5                  | Federal Income Tax          |                           |                             | (\$211,923)               |
| 6                  | Total Expenses              |                           |                             | <u>\$393,571</u>          |
| 7                  |                             |                           |                             |                           |
| 8                  | Earnings                    |                           |                             | (\$393,571)               |
| 9                  |                             |                           |                             |                           |
| 10                 | <u>Rate Base</u>            |                           |                             |                           |
| 11                 | Average Amortizable Balance | \$9,616,281               | 100%                        | \$9,616,281 (2)           |
| 12                 |                             |                           |                             |                           |
| 13                 | Deferred State Income Tax   |                           |                             | (\$836,616)               |
| 14                 | Deferred Federal Income Tax |                           |                             | <u>(\$3,072,883)</u>      |
| 15                 | Net Rate Base               |                           |                             | \$5,706,782               |

|                                 |                    |
|---------------------------------|--------------------|
| (1) DP&L Delaware               | \$9,947,877        |
| Amortization period - years     | 15                 |
| Annual amortization amount      | <u>\$663,192</u>   |
| (2) DP&L Delaware - beg balance | \$9,947,877        |
| DP&L Delaware - end balance     | <u>\$9,284,685</u> |
| DP&L Delaware - avg balance     | \$9,616,281        |

DPL DE Electric Dynamic Pricing Regulatory Asset - Forecasted \$ through December 2013

| O&M                                       | Through December 2013      | Total Program Costs  |
|-------------------------------------------|----------------------------|----------------------|
| Contracted Support                        | \$ 1,155,000               | \$ 3,178,000         |
| Program Administration                    | \$ 354,375                 | \$ 860,625           |
| Maintenance Services                      | \$ 87,471                  | \$ 731,007           |
| Evaluation                                | \$ 50,000                  | \$ 250,000           |
| Total                                     | <u>\$ 1,646,846</u>        | <u>\$ 5,019,632</u>  |
| Customer Bonus                            | \$ 1,058,400               | \$ 2,781,000         |
| Marketing                                 | \$ 2,674,350               | \$ 6,114,350         |
| Equipment                                 | \$ 4,373,544               | \$ 11,491,710        |
| Residential                               | \$ 50,000                  | \$ 50,000            |
| Sub-Total                                 | <u>\$ 9,803,140</u>        | <u>\$ 25,456,692</u> |
| Returns on DLC Regulatory Asset           | <u>\$ 144,737</u>          |                      |
| Total                                     | <u><u>\$ 9,947,877</u></u> |                      |
| # of Units (Switch & Thermostat) Deployed | 19,600                     | 51,600               |
| % of Total                                | 37.98%                     | 100.00%              |



Delmarva Power & Light Company  
Delaware Distribution  
Annualization of Depreciation on Year-end Plant  
12 Months Ending December 2012

| (1)<br>Line<br>No. | (2)<br><u>Plant Category</u> | (3)<br><u>Annualized<br/>Depreciation Exp</u> | (4)<br><u>12+0 ME Dec 2012<br/>Depreciation Exp</u> | (5)<br><u>Adjustment</u> |
|--------------------|------------------------------|-----------------------------------------------|-----------------------------------------------------|--------------------------|
| 1                  | Distribution                 | \$23,975,782                                  | \$23,222,015                                        | \$753,768                |
| 2                  |                              |                                               |                                                     |                          |
| 3                  | General                      | \$1,783,787                                   | \$2,261,435                                         | (\$477,648)              |
| 4                  |                              |                                               |                                                     |                          |
| 5                  | Common                       | \$2,041,015                                   | \$1,957,500                                         | \$83,515                 |
| 6                  |                              |                                               |                                                     |                          |
| 7                  | Total                        | \$27,800,585                                  | \$27,440,950                                        | \$359,635                |
| 8                  |                              |                                               |                                                     |                          |
| 9                  |                              |                                               |                                                     |                          |
| 10                 |                              |                                               | DSIT @ 8.7%                                         | (\$31,288)               |
| 11                 |                              |                                               | DFIT @ 35%                                          | (\$114,921)              |
| 12                 |                              |                                               | Total Expense                                       | \$213,425                |
| 13                 |                              |                                               |                                                     |                          |
| 14                 |                              |                                               | Earnings                                            | (\$213,425)              |
| 15                 |                              |                                               |                                                     |                          |
| 16                 |                              |                                               | Rate Base                                           | (\$213,425)              |

Delmarva Power & Light Company  
Delaware Distribution  
Normalize Other Taxes  
12 Months Ending December 2012

Schedule (JCZ)-24  
Adjustment 25

| (1)<br>Line<br>No. | (2)<br><u>Item</u>                             | (3)<br><u>Amount</u> |
|--------------------|------------------------------------------------|----------------------|
| 1                  | Reversal of Accrual Related to 2009 Assessment | \$188,971            |
| 1                  |                                                |                      |
| 2                  | Income Taxes                                   |                      |
| 3                  | State Income Tax                               | (\$16,440)           |
| 4                  | Federal Income Tax                             | <u>(\$60,386)</u>    |
| 5                  | Total Income Taxes                             | (\$76,826)           |
| 6                  |                                                |                      |
| 7                  | Earnings                                       | (\$112,145)          |

Delmarva Power  
Delaware Distribution  
2013 Forecasted Reliability Closings

Schedule (JCZ)-25  
Adjustment 26

| (1)<br>Line<br>No. | (2)<br><u>Item</u>                                | (3)<br>\$      |
|--------------------|---------------------------------------------------|----------------|
| 1                  | <b>Rate Base</b>                                  |                |
| 2                  | Plant in Service                                  |                |
| 3                  | Reliability closings January 2013 - December 2013 | \$74,956,809   |
| 4                  | Retirements January 2013 - December 2013          | (\$4,950,000)  |
| 5                  | Adjustment to Plant in Service                    | \$70,006,809   |
| 6                  |                                                   |                |
| 7                  | Depreciation reserve                              |                |
| 8                  | Retirements January 2013 - December 2013          | (\$4,950,000)  |
| 9                  | Depreciation expense                              | \$917,089      |
| 10                 | Adjustment to Depreciation Reserve                | (\$4,032,911)  |
| 11                 |                                                   |                |
| 12                 | Net Plant                                         | \$74,039,720   |
| 13                 |                                                   |                |
| 14                 | Deferred Taxes                                    | (\$7,245,580)  |
| 15                 |                                                   |                |
| 16                 | Total Rate Base                                   | \$66,794,140   |
| 17                 |                                                   |                |
| 18                 | <b>Earnings</b>                                   |                |
| 19                 | Depreciation Expense                              |                |
| 20                 | Reliability closings January 2013 - December 2013 | \$1,963,868    |
| 21                 | Retirements January 2013 - December 2013          | (\$129,690)    |
| 22                 | Adjustment to Depreciation Expense                | \$1,834,178    |
| 23                 |                                                   |                |
| 24                 | State Income Tax                                  | (\$3,260,621)  |
| 25                 | Federal Income Tax                                | (\$11,976,224) |
| 26                 | Deferred State Income Tax                         | \$3,101,048    |
| 27                 | Deferred Federal Income Tax                       | \$11,390,112   |
| 28                 |                                                   |                |
| 29                 | Operating Expense                                 | \$1,088,493    |
| 30                 |                                                   |                |
| 31                 | Operating Income                                  | (\$1,088,493)  |
| 32                 |                                                   |                |
| 33                 | Total Earnings                                    | (\$1,088,493)  |

Tax Depreciation

|                      |        |                |
|----------------------|--------|----------------|
| Basis                |        | \$74,956,809   |
| Rate                 |        | 50.00%         |
| Tax Depreciation exp |        | \$37,478,405   |
| SIT                  | 8.70%  | (\$3,260,621)  |
| FIT                  | 35.00% | (\$11,976,224) |
| Deferred Tax Basis   |        |                |
| Tax Deprec Exp       |        | \$37,478,405   |
| Book Deprec Exp      |        | \$1,834,178    |
| Tax over Book        |        | \$35,644,226   |
| DSIT                 | 8.70%  | \$3,101,048    |
| DFIT                 | 35.00% | \$11,390,112   |

Delmarva Power & Light Company  
Delaware Distribution  
Amortization of Loss/Gain on Refinancings  
12 Months Ending December 2012

| (1)<br>Line<br>No. | (2)<br>Item                      | (3)<br>First Mortgage Bonds<br>Aug-93 | (4)<br>Demand Rate Bonds<br>Nov-93 | (5)<br>Tax Exempt Bonds<br>Sep-00 | (6)<br>Tax Exempt Bonds<br>Sep-00 | (7)<br>Tax Exempt Bonds<br>Sep-00 | (8)<br>Tax Exempt Bonds<br>Oct-00 | (9)<br>Tax Exempt Bonds<br>Jul-01 |
|--------------------|----------------------------------|---------------------------------------|------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| 1                  | Total Company                    | \$702,894                             | \$348,751                          | \$576,741                         | \$1,438,608                       | \$558,772                         | \$235,481                         | \$490,000                         |
| 2                  | Electric Amount Refinanced       | \$660,720                             | \$327,826                          | \$531,525                         | \$1,325,821                       | \$514,964                         | \$217,019                         | \$451,584                         |
| 3                  | Delaware Electric Distribution % | 39.22%                                | 39.22%                             | 39.22%                            | 39.22%                            | 39.22%                            | 39.22%                            | 39.22%                            |
| 4                  | Delaware Electric Distribution   | \$259,146                             | \$128,579                          | \$208,473                         | \$520,010                         | \$201,978                         | \$85,119                          | \$177,119                         |
| 5                  | Deferred SIT                     | (\$22,546)                            | (\$11,186)                         | (\$18,137)                        | (\$45,241)                        | (\$17,572)                        | (\$7,405)                         | (\$15,409)                        |
| 6                  | Deferred FIT                     | (\$82,810)                            | (\$41,087)                         | (\$66,618)                        | (\$166,169)                       | (\$64,542)                        | (\$27,200)                        | (\$56,598)                        |
| 7                  |                                  |                                       |                                    |                                   |                                   |                                   |                                   |                                   |
| 8                  | Earnings                         |                                       |                                    |                                   |                                   |                                   |                                   |                                   |
| 9                  | Amortization                     | \$10,723                              | \$6,123                            | \$13,898                          | \$26,667                          | \$14,961                          | \$5,007                           | \$8,856                           |
| 10                 | DSIT                             | (\$933)                               | (\$533)                            | (\$1,209)                         | (\$2,320)                         | (\$1,302)                         | (\$436)                           | (\$770)                           |
| 11                 | DFIT                             | (\$3,427)                             | (\$1,957)                          | (\$4,441)                         | (\$8,521)                         | (\$4,781)                         | (\$1,600)                         | (\$2,830)                         |
| 12                 | Total Expense                    | \$6,364                               | \$3,634                            | \$8,248                           | \$15,826                          | \$8,879                           | \$2,971                           | \$5,256                           |
| 13                 | Earnings                         | (\$6,364)                             | (\$3,634)                          | (\$8,248)                         | (\$15,826)                        | (\$8,879)                         | (\$2,971)                         | (\$5,256)                         |
| 14                 |                                  |                                       |                                    |                                   |                                   |                                   |                                   |                                   |
| 15                 | Rate Base                        |                                       |                                    |                                   |                                   |                                   |                                   |                                   |
| 16                 | Amortizable Balance - 12/31/11   | \$61,659                              | \$17,348                           | \$50,960                          | \$217,782                         | \$32,416                          | \$28,790                          | \$84,131                          |
| 17                 | Amortizable Balance - 12/31/12   | \$50,936                              | \$11,225                           | \$37,062                          | \$191,115                         | \$17,455                          | \$23,783                          | \$75,276                          |
| 18                 | Average Balance                  | \$56,297                              | \$14,287                           | \$44,011                          | \$204,448                         | \$24,936                          | \$26,287                          | \$79,704                          |
| 19                 |                                  |                                       |                                    |                                   |                                   |                                   |                                   |                                   |
| 20                 | Deferred SIT - 12/31/11          | (\$5,364)                             | (\$1,509)                          | (\$4,434)                         | (\$18,947)                        | (\$2,820)                         | (\$2,505)                         | (\$7,319)                         |
| 21                 | Deferred SIT - 12/31/12          | (\$4,431)                             | (\$977)                            | (\$3,224)                         | (\$16,627)                        | (\$1,519)                         | (\$2,069)                         | (\$6,549)                         |
| 22                 | Average Balance                  | (\$4,898)                             | (\$1,243)                          | (\$3,829)                         | (\$17,787)                        | (\$2,169)                         | (\$2,287)                         | (\$6,934)                         |
| 23                 |                                  |                                       |                                    |                                   |                                   |                                   |                                   |                                   |
| 24                 | Deferred FIT - 12/31/11          | (\$19,703)                            | (\$5,544)                          | (\$16,284)                        | (\$69,592)                        | (\$10,359)                        | (\$9,200)                         | (\$26,884)                        |
| 25                 | Deferred FIT - 12/31/12          | (\$16,276)                            | (\$3,587)                          | (\$11,843)                        | (\$61,071)                        | (\$5,578)                         | (\$7,600)                         | (\$24,054)                        |
| 26                 | Average Balance                  | (\$17,990)                            | (\$4,565)                          | (\$14,064)                        | (\$65,331)                        | (\$7,968)                         | (\$8,400)                         | (\$25,469)                        |
| 27                 |                                  |                                       |                                    |                                   |                                   |                                   |                                   |                                   |
| 28                 | Net Year End Balance             | \$30,228                              | \$6,662                            | \$21,994                          | \$113,417                         | \$10,359                          | \$14,114                          | \$44,672                          |
| 29                 |                                  |                                       |                                    |                                   |                                   |                                   |                                   |                                   |
| 30                 | Amortization begin date (a)      | August-93                             | November-93                        | September-00                      | September-00                      | September-00                      | October-00                        | July-01                           |
| 31                 | Amortization period (months)     | 290                                   | 252                                | 180                               | 234                               | 162                               | 204                               | 240                               |
| 32                 | Amortization as of 12/31/11      | 221                                   | 218                                | 136                               | 136                               | 136                               | 135                               | 126                               |
| 33                 | Amortization as of 12/31/12      | 233                                   | 230                                | 148                               | 148                               | 148                               | 147                               | 138                               |

(a) rounded to nearest full month

**Delmarva Power & Light Company**  
**Delaware Distribution**  
**Amortization of Loss/Gain on Refinancings**  
**12 Months Ending December 2012**

| (1)<br>Line<br>No. | (2)<br>Item                      | (3)<br>Tax Exempt Bonds<br>Jul-01 | (4)<br>First Mortgage Bonds<br>Jul-01 | (5)<br>Medium Term Notes<br>Jul-01 | (6)<br>First Mortgage Bonds<br>Jul-01 | (7)<br>Medium Term Notes<br>Jul-01 | (8)<br>Medium Term Notes<br>Jul-01 |
|--------------------|----------------------------------|-----------------------------------|---------------------------------------|------------------------------------|---------------------------------------|------------------------------------|------------------------------------|
| 1                  | Total Company                    | \$690,000                         | \$3,762,881                           | \$3,058,389                        | \$1,634,283                           | \$1,073,753                        | (\$595,660)                        |
| 2                  | Electric Amount Refinanced       | \$635,904                         | \$3,467,871                           | \$2,818,611                        | \$1,506,155                           | \$989,571                          | (\$548,960)                        |
| 3                  | Delaware Electric Distribution % | 39.22%                            | 39.22%                                | 39.22%                             | 39.22%                                | 39.22%                             | 39.22%                             |
| 4                  | Delaware Electric Distribution   | \$249,412                         | \$1,360,158                           | \$1,105,507                        | \$590,740                             | \$388,126                          | (\$215,312)                        |
| 5                  | Deferred SIT                     | (\$21,699)                        | (\$118,334)                           | (\$96,179)                         | (\$51,394)                            | (\$33,767)                         | \$18,732                           |
| 6                  | Deferred FIT                     | (\$79,700)                        | (\$434,638)                           | (\$353,265)                        | (\$188,771)                           | (\$124,026)                        | \$68,803                           |
| 7                  |                                  |                                   |                                       |                                    |                                       |                                    |                                    |
| 8                  | Earnings                         |                                   |                                       |                                    |                                       |                                    |                                    |
| 9                  | Amortization                     | \$14,671                          | \$95,450                              | \$56,936                           | \$28,700                              | \$24,907                           | (\$12,984)                         |
| 10                 | DSIT                             | (\$1,276)                         | (\$8,304)                             | (\$4,953)                          | (\$2,497)                             | (\$2,167)                          | \$1,130                            |
| 11                 | DFIT                             | (\$4,688)                         | (\$30,501)                            | (\$18,194)                         | (\$9,171)                             | (\$7,959)                          | \$4,149                            |
| 12                 | Total Expense                    | \$8,707                           | \$56,645                              | \$33,789                           | \$17,032                              | \$14,781                           | (\$7,705)                          |
| 13                 | Earnings                         | (\$8,707)                         | (\$56,645)                            | (\$33,789)                         | (\$17,032)                            | (\$14,781)                         | \$7,705                            |
| 14                 |                                  |                                   |                                       |                                    |                                       |                                    |                                    |
| 15                 | Rate Base                        |                                   |                                       |                                    |                                       |                                    |                                    |
| 16                 | Amortizable Balance - 12/31/11   | \$95,364                          | \$357,936                             | \$507,679                          | \$289,391                             | \$126,608                          | (\$78,984)                         |
| 17                 | Amortizable Balance - 12/31/12   | \$80,692                          | \$262,487                             | \$450,743                          | \$260,691                             | \$101,702                          | (\$66,000)                         |
| 18                 | Average Balance                  | \$88,028                          | \$310,211                             | \$479,211                          | \$275,041                             | \$114,155                          | (\$72,492)                         |
| 19                 |                                  |                                   |                                       |                                    |                                       |                                    |                                    |
| 20                 | Deferred SIT - 12/31/11          | (\$8,297)                         | (\$31,140)                            | (\$44,168)                         | (\$25,177)                            | (\$11,015)                         | \$6,872                            |
| 21                 | Deferred SIT - 12/31/12          | (\$7,020)                         | (\$22,836)                            | (\$39,215)                         | (\$22,680)                            | (\$8,848)                          | \$5,742                            |
| 22                 | Average Balance                  | (\$7,658)                         | (\$26,988)                            | (\$41,691)                         | (\$23,929)                            | (\$9,931)                          | \$6,307                            |
| 23                 |                                  |                                   |                                       |                                    |                                       |                                    |                                    |
| 24                 | Deferred FIT - 12/31/11          | (\$30,473)                        | (\$114,379)                           | (\$162,229)                        | (\$92,475)                            | (\$40,458)                         | \$25,239                           |
| 25                 | Deferred FIT - 12/31/12          | (\$25,785)                        | (\$83,878)                            | (\$144,035)                        | (\$83,304)                            | (\$32,499)                         | \$21,090                           |
| 26                 | Average Balance                  | (\$28,129)                        | (\$99,128)                            | (\$153,132)                        | (\$87,889)                            | (\$36,478)                         | \$23,165                           |
| 27                 |                                  |                                   |                                       |                                    |                                       |                                    |                                    |
| 28                 | Net Year End Balance             | \$47,887                          | \$155,773                             | \$267,494                          | \$154,707                             | \$60,355                           | (\$39,168)                         |
| 29                 |                                  |                                   |                                       |                                    |                                       |                                    |                                    |
| 30                 | Amortization begin date (a)      | July-01                           | July-01                               | July-01                            | July-01                               | July-01                            | July-01                            |
| 31                 | Amortization period (months)     | 204                               | 171                                   | 233                                | 247                                   | 187                                | 199                                |
| 32                 | Amortization as of 12/31/11      | 126                               | 126                                   | 126                                | 126                                   | 126                                | 126                                |
| 33                 | Amortization as of 12/31/12      | 138                               | 138                                   | 138                                | 138                                   | 138                                | 138                                |

(a) rounded to nearest full month

Delmarva Power & Light Company  
Delaware Distribution  
Amortization of Loss/Gain on Refinancings  
12 Months Ending December 2012

| (1)<br>Line<br>No. | (2)<br>Item                      | (3)<br>Medium Term Notes<br>Jul-01 | (4)<br>First Mortgage Bonds<br>Feb-02 | (5)<br>Tax Exempt Bonds<br>Jun-02 | (6)<br>Tax Exempt Bonds<br>Jun-02 | (7)<br>First Mortgage Bonds<br>May-03 | (8)<br>Tax Exempt Bonds<br>Aug-03 |
|--------------------|----------------------------------|------------------------------------|---------------------------------------|-----------------------------------|-----------------------------------|---------------------------------------|-----------------------------------|
| 1                  | Total Company                    | \$1,340,233                        | \$1,388,233                           | \$944,292                         | \$1,313,393                       | \$1,298,560                           | \$1,347,719                       |
| 2                  | Electric Amount Refinanced       | \$1,235,159                        | \$1,166,115                           | \$793,205                         | \$1,103,250                       | \$1,090,790                           | \$1,132,084                       |
| 3                  | Delaware Electric Distribution % | 39.22%                             | 39.22%                                | 39.22%                            | 39.22%                            | 39.22%                                | 39.22%                            |
| 4                  | Delaware Electric Distribution   | \$484,450                          | \$457,370                             | \$311,109                         | \$432,713                         | \$427,827                             | \$444,023                         |
| 5                  | Deferred SIT                     | (\$42,147)                         | (\$38,791)                            | (\$27,066)                        | (\$37,846)                        | (\$37,221)                            | (\$38,630)                        |
| 6                  | Deferred FIT                     | (\$154,806)                        | (\$146,153)                           | (\$99,415)                        | (\$138,274)                       | (\$136,712)                           | (\$141,887)                       |
| 7                  |                                  |                                    |                                       |                                   |                                   |                                       |                                   |
| 8                  | Earnings                         |                                    |                                       |                                   |                                   |                                       |                                   |
| 9                  | Amortization                     | \$18,936                           | \$22,774                              | \$15,491                          | \$25,330                          | \$25,044                              | \$25,992                          |
| 10                 | DSIT                             | (\$1,647)                          | (\$1,981)                             | (\$1,348)                         | (\$2,204)                         | (\$2,179)                             | (\$2,261)                         |
| 11                 | DFIT                             | (\$6,051)                          | (\$7,277)                             | (\$4,950)                         | (\$8,094)                         | (\$8,003)                             | (\$8,306)                         |
| 12                 | Total Expense                    | \$11,238                           | \$13,515                              | \$9,193                           | \$15,032                          | \$14,862                              | \$15,425                          |
| 13                 | Earnings                         | (\$11,238)                         | (\$13,515)                            | (\$9,193)                         | (\$15,032)                        | (\$14,862)                            | (\$15,425)                        |
| 14                 |                                  |                                    |                                       |                                   |                                   |                                       |                                   |
| 15                 | Rate Base                        |                                    |                                       |                                   |                                   |                                       |                                   |
| 16                 | Amortizable Balance - 12/31/11   | \$285,621                          | \$231,532                             | \$162,654                         | \$189,972                         | \$210,783                             | \$225,260                         |
| 17                 | Amortizable Balance - 12/31/12   | \$266,684                          | \$208,758                             | \$147,163                         | \$164,642                         | \$185,739                             | \$199,269                         |
| 18                 | Average Balance                  | \$276,152                          | \$220,145                             | \$154,909                         | \$177,307                         | \$198,261                             | \$212,264                         |
| 19                 |                                  |                                    |                                       |                                   |                                   |                                       |                                   |
| 20                 | Deferred SIT - 12/31/11          | (\$24,849)                         | (\$20,143)                            | (\$14,151)                        | (\$16,528)                        | (\$18,338)                            | (\$19,598)                        |
| 21                 | Deferred SIT - 12/31/12          | (\$23,202)                         | (\$18,162)                            | (\$12,803)                        | (\$14,324)                        | (\$16,159)                            | (\$17,336)                        |
| 22                 | Average Balance                  | (\$24,025)                         | (\$19,153)                            | (\$13,477)                        | (\$15,426)                        | (\$17,249)                            | (\$18,467)                        |
| 23                 |                                  |                                    |                                       |                                   |                                   |                                       |                                   |
| 24                 | Deferred FIT - 12/31/11          | (\$91,270)                         | (\$73,986)                            | (\$51,976)                        | (\$60,705)                        | (\$67,356)                            | (\$71,982)                        |
| 25                 | Deferred FIT - 12/31/12          | (\$85,219)                         | (\$66,709)                            | (\$47,026)                        | (\$52,611)                        | (\$59,353)                            | (\$63,676)                        |
| 26                 | Average Balance                  | (\$88,245)                         | (\$70,347)                            | (\$49,501)                        | (\$56,658)                        | (\$63,354)                            | (\$67,829)                        |
| 27                 |                                  |                                    |                                       |                                   |                                   |                                       |                                   |
| 28                 | Net Year End Balance             | \$158,264                          | \$123,888                             | \$87,334                          | \$97,707                          | \$110,227                             | \$118,256                         |
| 29                 |                                  |                                    |                                       |                                   |                                   |                                       |                                   |
| 30                 | Amortization begin date (a)      | July-01                            | February-02                           | June-02                           | June-02                           | May-03                                | August-03                         |
| 31                 | Amortization period (months)     | 307                                | 241                                   | 241                               | 205                               | 205                                   | 205                               |
| 32                 | Amortization as of 12/31/11      | 126                                | 119                                   | 115                               | 115                               | 104                                   | 101                               |
| 33                 | Amortization as of 12/31/12      | 138                                | 131                                   | 127                               | 127                               | 116                                   | 113                               |

(a) rounded to nearest full month

Delmarva Power & Light Company  
Delaware Distribution  
Amortization of Loss/Gain on Refinancings  
12 Months Ending December 2012

| (1)<br>Line<br>No. | (2)<br>Item                      | (3)<br>Trust Preferred<br>May-04 | (4)<br>First Mortgage Bonds<br>Jun-05 | (5)<br>Preferred Stock<br>Jan-07 | (6)<br>Tax Exempt Bonds<br>Mar-08 | (7)<br>Tax Exempt Bonds<br>Mar-08 | (8)<br>Tax Exempt Bonds<br>Mar-08 |
|--------------------|----------------------------------|----------------------------------|---------------------------------------|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| 1                  | Total Company                    | \$1,943,173                      | \$4,497,500                           | \$740,468                        | \$439,979                         | \$668,515                         | \$790,973                         |
| 2                  | Electric Amount Refinanced       | \$1,632,265                      | \$3,777,900                           | \$621,993                        | \$369,582                         | \$561,553                         | \$664,417                         |
| 3                  | Delaware Electric Distribution % | 39.22%                           | 39.22%                                | 39.22%                           | 39.22%                            | 39.22%                            | 39.22%                            |
| 4                  | Delaware Electric Distribution   | \$640,202                        | \$1,481,757                           | \$243,956                        | \$144,956                         | \$220,250                         | \$260,596                         |
| 5                  | Deferred SIT                     | (\$55,698)                       | (\$128,913)                           | (\$21,224)                       | (\$12,611)                        | (\$19,162)                        | (\$22,672)                        |
| 6                  | Deferred FIT                     | (\$204,577)                      | (\$473,495)                           | (\$77,956)                       | (\$46,321)                        | (\$70,381)                        | (\$83,273)                        |
| 7                  |                                  |                                  |                                       |                                  |                                   |                                   |                                   |
| 8                  | Earnings                         |                                  |                                       |                                  |                                   |                                   |                                   |
| 9                  | Amortization                     | \$37,475                         | \$74,088                              | \$24,396                         | \$6,466                           | \$9,082                           | \$8,544                           |
| 10                 | DSIT                             | (\$3,260)                        | (\$6,446)                             | (\$2,122)                        | (\$563)                           | (\$790)                           | (\$743)                           |
| 11                 | DFIT                             | (\$11,975)                       | (\$23,675)                            | (\$7,796)                        | (\$2,066)                         | (\$2,902)                         | (\$2,730)                         |
| 12                 | Total Expense                    | \$22,240                         | \$43,967                              | \$14,478                         | \$3,838                           | \$5,390                           | \$5,071                           |
| 13                 | Earnings                         | (\$22,240)                       | (\$43,967)                            | (\$14,478)                       | (\$3,838)                         | (\$5,390)                         | (\$5,071)                         |
| 14                 |                                  |                                  |                                       |                                  |                                   |                                   |                                   |
| 15                 | Rate Base                        |                                  |                                       |                                  |                                   |                                   |                                   |
| 16                 | Amortizable Balance - 12/31/11   | \$352,892                        | \$994,012                             | \$121,978                        | \$120,168                         | \$185,434                         | \$227,843                         |
| 17                 | Amortizable Balance - 12/31/12   | \$315,417                        | \$919,924                             | \$97,583                         | \$113,702                         | \$176,352                         | \$219,299                         |
| 18                 | Average Balance                  | \$334,154                        | \$956,968                             | \$109,780                        | \$116,935                         | \$180,893                         | \$223,571                         |
| 19                 |                                  |                                  |                                       |                                  |                                   |                                   |                                   |
| 20                 | Deferred SIT - 12/31/11          | (\$30,702)                       | (\$86,479)                            | (\$10,612)                       | (\$10,455)                        | (\$16,133)                        | (\$19,822)                        |
| 21                 | Deferred SIT - 12/31/12          | (\$27,441)                       | (\$80,033)                            | (\$8,490)                        | (\$9,892)                         | (\$15,343)                        | (\$19,079)                        |
| 22                 | Average Balance                  | (\$29,071)                       | (\$83,256)                            | (\$9,551)                        | (\$10,173)                        | (\$15,738)                        | (\$19,451)                        |
| 23                 |                                  |                                  |                                       |                                  |                                   |                                   |                                   |
| 24                 | Deferred FIT - 12/31/11          | (\$112,767)                      | (\$317,636)                           | (\$38,978)                       | (\$38,400)                        | (\$59,256)                        | (\$72,807)                        |
| 25                 | Deferred FIT - 12/31/12          | (\$100,791)                      | (\$293,962)                           | (\$31,182)                       | (\$36,333)                        | (\$56,353)                        | (\$70,077)                        |
| 26                 | Average Balance                  | (\$106,779)                      | (\$305,799)                           | (\$35,080)                       | (\$37,367)                        | (\$57,804)                        | (\$71,442)                        |
| 27                 |                                  |                                  |                                       |                                  |                                   |                                   |                                   |
| 28                 | Net Year End Balance             | \$187,184                        | \$545,929                             | \$57,910                         | \$67,476                          | \$104,656                         | \$130,143                         |
| 29                 |                                  |                                  |                                       |                                  |                                   |                                   |                                   |
| 30                 | Amortization begin date (a)      | May-04                           | June-05                               | Jan-07                           | Mar-08                            | Mar-08                            | Mar-08                            |
| 31                 | Amortization period (months)     | 205                              | 240                                   | 120                              | 269                               | 291                               | 366                               |
| 32                 | Amortization as of 12/31/11      | 92                               | 79                                    | 60                               | 46                                | 46                                | 46                                |
| 33                 | Amortization as of 12/31/12      | 104                              | 91                                    | 72                               | 58                                | 58                                | 58                                |

(a) rounded to nearest full month

**Delmarva Power & Light Company**  
**Delaware Distribution**  
**Amortization of Loss/Gain on Refinancings**  
**12 Months Ending December 2012**

| (1)<br>Line<br>No. | (2)<br>Item                      | (3)<br>Tax Exempt Bonds<br>Apr-08 | (4)<br>Tax Exempt Bonds<br>Apr-08 | (5)<br>Tax Exempt Bonds<br>Nov-08 | (6)<br>Tax Exempt Bonds<br>Dec-10 | (7)<br>Tax Exempt Bonds<br>Dec-10 | (8)<br>Tax Exempt Bonds<br>Jun-11 |
|--------------------|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| 1                  | Total Company                    | \$176,784                         | \$655,565                         | \$84,228                          | \$148,731                         | \$171,299                         | \$634,231                         |
| 2                  | Electric Amount Refinanced       | \$148,499                         | \$550,675                         | \$70,752                          | \$124,934                         | \$143,891                         | \$532,754                         |
| 3                  | Delaware Electric Distribution % | 39.22%                            | 39.22%                            | 39.22%                            | 39.22%                            | 39.22%                            | 39.22%                            |
| 4                  | Delaware Electric Distribution   | \$58,244                          | \$215,984                         | \$27,750                          | \$49,001                          | \$56,437                          | \$208,955                         |
| 5                  | Deferred SIT                     | (\$5,067)                         | (\$18,791)                        | (\$2,414)                         | (\$4,263)                         | (\$4,910)                         | (\$18,179)                        |
| 6                  | Deferred FIT                     | (\$18,612)                        | (\$69,018)                        | (\$8,867)                         | (\$15,658)                        | (\$18,034)                        | (\$66,772)                        |
| 7                  |                                  |                                   |                                   |                                   |                                   |                                   |                                   |
| 8                  | Earnings                         |                                   |                                   |                                   |                                   |                                   |                                   |
| 9                  | Amortization                     | \$2,608                           | \$9,323                           | \$4,826                           | \$3,360                           | \$3,210                           | \$14,008                          |
| 10                 | DSIT                             | (\$227)                           | (\$811)                           | (\$420)                           | (\$292)                           | (\$279)                           | (\$1,219)                         |
| 11                 | DFIT                             | (\$833)                           | (\$2,979)                         | (\$1,542)                         | (\$1,074)                         | (\$1,026)                         | (\$4,476)                         |
| 12                 | Total Expense                    | \$1,548                           | \$5,533                           | \$2,864                           | \$1,994                           | \$1,905                           | \$8,313                           |
| 13                 | Earnings                         | (\$1,548)                         | (\$5,533)                         | (\$2,864)                         | (\$1,994)                         | (\$1,905)                         | (\$8,313)                         |
| 14                 |                                  |                                   |                                   |                                   |                                   |                                   |                                   |
| 15                 | Rate Base                        |                                   |                                   |                                   |                                   |                                   |                                   |
| 16                 | Amortizable Balance - 12/31/11   | \$48,464                          | \$181,023                         | \$12,467                          | \$45,361                          | \$52,959                          | \$0                               |
| 17                 | Amortizable Balance - 12/31/12   | \$45,856                          | \$171,699                         | \$7,641                           | \$42,001                          | \$49,750                          | \$186,776                         |
| 18                 | Average Balance                  | \$47,160                          | \$176,361                         | \$10,054                          | \$43,681                          | \$51,355                          | \$93,388                          |
| 19                 |                                  |                                   |                                   |                                   |                                   |                                   |                                   |
| 20                 | Deferred SIT - 12/31/11          | (\$4,216)                         | (\$15,749)                        | (\$1,085)                         | (\$3,946)                         | (\$4,607)                         | \$0                               |
| 21                 | Deferred SIT - 12/31/12          | (\$3,989)                         | (\$14,938)                        | (\$665)                           | (\$3,654)                         | (\$4,328)                         | (\$16,249)                        |
| 22                 | Average Balance                  | (\$4,103)                         | (\$15,343)                        | (\$875)                           | (\$3,800)                         | (\$4,468)                         | (\$8,125)                         |
| 23                 |                                  |                                   |                                   |                                   |                                   |                                   |                                   |
| 24                 | Deferred FIT - 12/31/11          | (\$15,487)                        | (\$57,846)                        | (\$3,984)                         | (\$14,495)                        | (\$16,923)                        | \$0                               |
| 25                 | Deferred FIT - 12/31/12          | (\$14,653)                        | (\$54,867)                        | (\$2,442)                         | (\$13,421)                        | (\$15,898)                        | (\$59,684)                        |
| 26                 | Average Balance                  | (\$15,070)                        | (\$56,356)                        | (\$3,213)                         | (\$13,958)                        | (\$16,410)                        | (\$29,842)                        |
| 27                 |                                  |                                   |                                   |                                   |                                   |                                   |                                   |
| 28                 | Net Year End Balance             | \$27,213                          | \$101,895                         | \$4,535                           | \$24,926                          | \$29,524                          | \$110,842                         |
| 29                 |                                  |                                   |                                   |                                   |                                   |                                   |                                   |
| 30                 | Amortization begin date (a)      |                                   |                                   |                                   |                                   |                                   |                                   |
| 31                 | Amortization period (months)     | Apr-08                            | 278                               | 69                                | 175                               | 211                               | 179                               |
| 32                 | Amortization as of 12/31/11      |                                   | 45                                | 38                                | 13                                | 13                                | 7                                 |
| 33                 | Amortization as of 12/31/12      |                                   | 57                                | 50                                | 25                                | 25                                | 19                                |

(a) rounded to nearest full month



Delmarva Power & Light Company  
Delaware Distribution  
Amortization of Loss/Gain on Refinancings  
12 Months Ending December 2012

| (1)<br>Line<br>No. | (2)<br>Item                      | (3)<br>Total  |
|--------------------|----------------------------------|---------------|
| 1                  | Total Company                    | \$32,558,769  |
| 2                  | Electric Amount Refinanced       | \$28,618,431  |
| 3                  | Delaware Electric Distribution % |               |
| 4                  | Delaware Electric Distribution   | \$11,224,635  |
| 5                  | Deferred SIT                     | (\$976,543)   |
| 6                  | Deferred FIT                     | (\$3,586,832) |
| 7                  |                                  |               |
| 8                  | Earnings                         |               |
| 9                  | Amortization                     | \$624,868     |
| 10                 | DSIT                             | (\$54,363)    |
| 11                 | DFIT                             | (\$199,676)   |
| 12                 | Total Expense                    | \$370,828     |
| 13                 | Earnings                         | (\$370,828)   |
| 14                 |                                  |               |
| 15                 | Rate Base                        |               |
| 16                 | Amortizable Balance - 12/31/11   | \$5,439,504   |
| 17                 | Amortizable Balance - 12/31/12   | \$5,015,421   |
| 18                 | Average Balance                  | \$5,227,463   |
| 19                 |                                  |               |
| 20                 | Deferred SIT - 12/31/11          | (\$473,237)   |
| 21                 | Deferred SIT - 12/31/12          | (\$436,342)   |
| 22                 | Average Balance                  | (\$454,789)   |
| 23                 |                                  |               |
| 24                 | Deferred FIT - 12/31/11          | (\$1,738,194) |
| 25                 | Deferred FIT - 12/31/12          | (\$1,602,678) |
| 26                 | Average Balance                  | (\$1,670,436) |
| 27                 |                                  |               |
| 28                 | Net Year End Balance             | \$2,976,401   |
| 29                 |                                  |               |
| 30                 | Amortization begin date (a)      |               |
| 31                 | Amortization period (months)     |               |
| 32                 | Amortization as of 12/31/11      |               |
| 33                 | Amortization as of 12/31/12      |               |

(a) rounded to nearest full month

Delmarva Power & Light Company  
Delaware Distribution  
Remove Qualified Fuel Cell Provider Project Costs  
12 Months Ending December 2012

Schedule (JCZ)-27  
Adjustment 28

| (1)<br>Line<br>No. | (2)<br><u>Item</u>     | (3)<br>DE<br><u>Distribution</u> |
|--------------------|------------------------|----------------------------------|
| 1                  | <u>Earnings</u>        |                                  |
| 1                  | Expense in Test Period | \$142,865                        |
| 2                  | Adjustment to Remove   | <u>(\$142,865)</u>               |
| 3                  |                        |                                  |
| 4                  | State Income Tax       | \$12,429                         |
| 5                  | Federal Income Tax     | <u>\$45,653</u>                  |
| 6                  | Total Expenses         | <u>(\$84,783)</u>                |
| 7                  |                        |                                  |
| 8                  | Earnings               | \$84,783                         |

Delmarva Power & Light Company  
Delaware Distribution  
Recovery of Tax on OPEB Medicare Tax Subsidy  
12 Months Ending December 2012

Schedule (JCZ)-28  
Adjustment 29

| (1)<br>Line<br>No. | (2)<br><u>Item</u>                        | (3)<br>DE<br><u>Distribution</u> |
|--------------------|-------------------------------------------|----------------------------------|
| 1                  | <u>Earnings</u>                           |                                  |
| 2                  | Amortization                              | \$36,836 (1)                     |
| 3                  |                                           |                                  |
| 4                  | State Income Tax                          | (\$3,205)                        |
| 5                  | Federal Income Tax                        | (\$11,771)                       |
| 6                  | Total Expenses                            | <u>\$21,860</u>                  |
| 7                  |                                           |                                  |
| 8                  | Earnings                                  | (\$21,860)                       |
| 9                  |                                           |                                  |
| 10                 | <u>Rate Base</u>                          |                                  |
| 11                 | Average Amortizable Balance               | \$92,089 (2)                     |
| 12                 |                                           |                                  |
| 13                 | Deferred State Income Tax                 | (\$8,012)                        |
| 14                 | Deferred Federal Income Tax               | (\$29,427)                       |
| 15                 | Net Rate Base                             | <u>\$54,650</u>                  |
|                    |                                           |                                  |
|                    | (1) DP&L Delaware                         | \$110,507                        |
|                    | Amortization period - years               | <u>3</u>                         |
|                    | Annual amortization amount                | \$36,836                         |
|                    |                                           |                                  |
|                    | <u>DPL Electric Delaware Distribution</u> |                                  |
|                    | (2) Beg. Balance                          | \$110,507                        |
|                    | End. Balance                              | \$73,671                         |
|                    | Avg. Balance                              | <u>\$92,089</u>                  |

Delmarva Power & Light Company  
Delaware Distribution  
Remove Post-80 ITC Amortization  
12 Months Ending December 2012

Schedule (JCZ)-29  
Adjustment 30

| (1)<br>Line<br>No. | (2)<br><u>Item</u>                        | (3)<br><u>System<br/>Electric</u> | (4)<br><u>Delaware<br/>Distribution</u> | (5)<br><u>Delaware<br/>Distribution</u> |
|--------------------|-------------------------------------------|-----------------------------------|-----------------------------------------|-----------------------------------------|
| 1                  | <u>Post 1980 Vintage ITC Amortization</u> |                                   |                                         |                                         |
| 2                  | Transmission                              | 108,391                           | 0.0000                                  | \$0                                     |
| 3                  |                                           |                                   |                                         |                                         |
| 4                  | Distribution - DE                         | \$186,300                         | 1.0000                                  | \$186,300                               |
| 5                  | Distribution - MD                         | \$118,915                         | 0.0000                                  | \$0                                     |
| 6                  | Distribution - VA                         | \$16,232                          | 0.0000                                  | \$0                                     |
| 7                  |                                           |                                   |                                         |                                         |
| 8                  | General & Common                          | \$118,518                         | 0.5858                                  | \$69,432                                |
| 9                  |                                           |                                   |                                         |                                         |
| 10                 | Total Expense                             | <u>\$548,356</u>                  |                                         | <u>\$255,733</u>                        |
| 11                 |                                           |                                   |                                         |                                         |
| 12                 | Earnings                                  | (\$548,356)                       |                                         | (\$255,733)                             |

Delmarva Power & Light Company  
Delaware Distribution  
Reflect Credit Facilities Cost  
12 Months Ending December 2012

Schedule (JCZ)-30  
Adjustment 31

| (1)<br>Line<br>No. | (2)<br><u>Item</u>                         | (3)<br>DE<br><u>Distribution</u> |
|--------------------|--------------------------------------------|----------------------------------|
| 1                  | <u>Earnings</u>                            |                                  |
| 2                  | Expense                                    | \$337,108 (1)                    |
| 3                  |                                            |                                  |
| 4                  | State Income Tax                           | (\$29,328)                       |
| 5                  | Federal Income Tax                         | (\$107,723)                      |
| 6                  | Total Expenses                             | <u>\$200,057</u>                 |
| 7                  |                                            |                                  |
| 8                  | Earnings                                   | (\$200,057)                      |
| 9                  |                                            |                                  |
| 10                 | <u>Rate Base</u>                           |                                  |
| 11                 | Average Amortizable Balance                | \$520,111 (2)                    |
| 12                 |                                            |                                  |
| 13                 |                                            |                                  |
| 14                 |                                            |                                  |
| 15                 | (1) Annual amortization of start-up costs  | \$254,582                        |
| 16                 | Annual cost of maintaining credit facility | \$483,507                        |
| 17                 | Total DPL expense                          | <u>\$738,089</u>                 |
| 18                 |                                            |                                  |
| 19                 | DPL Electric                               | \$619,995                        |
| 20                 | Allocation to Distribution                 | <u>92.81%</u>                    |
| 21                 | DPL Distribution                           | \$575,428                        |
| 22                 | Allocation to Delaware Distribution        | <u>58.58%</u>                    |
| 23                 | DPL DE Distribution                        | <u>\$337,108</u>                 |
| 24                 |                                            |                                  |
| 25                 | (2) DPL 13 mos average                     | \$1,138,769                      |
| 26                 |                                            |                                  |
| 27                 | DPL Electric                               | \$956,566                        |
| 28                 | Allocation to Distribution                 | <u>92.81%</u>                    |
| 29                 | DPL Distribution                           | \$887,806                        |
| 30                 | Allocation to Delaware Distribution        | <u>58.58%</u>                    |
| 31                 | DPL DE Distribution                        | <u>\$520,111</u>                 |

Schedule (JCZ)-31  
Adjustment 32

Delmarva Power & Light Company  
Delaware Distribution  
Removal of RPS Labor Charges  
12 Months Ending December 2012

| (1)<br>Line<br>No. | (2)<br><u>Item</u>           | (3)<br><u>Amount</u> |
|--------------------|------------------------------|----------------------|
| 1                  | Removal of RPS Labor Charges | (\$69,317)           |
| 1                  |                              |                      |
| 2                  | Income Taxes                 |                      |
| 3                  | State Income Tax             | \$6,031              |
| 4                  | Federal Income Tax           | <u>\$22,150</u>      |
| 5                  | Total Income Taxes           | \$28,181             |
| 6                  |                              |                      |
| 7                  | Total Expenses               | (\$41,136)           |
| 8                  |                              |                      |
| 9                  | Earnings                     | \$41,136             |

Delmarva Power & Light Company  
Delaware Distribution  
Cash Working Capital - Interest Synchronization  
12 Months Ending December 2012

| (1)<br>Line<br>No. | (2)<br>Item                                                      | (3)<br>Revenue | (4)<br>O&M    | (5)<br>Deprec/Amort | (6)<br>Other<br>Taxes | (7)<br>SIT    | (8)<br>FIT  | (9)<br>Def Tax/ITC | (10)<br>Total Expense | (11)<br>Interest | (12)<br>Earnings |
|--------------------|------------------------------------------------------------------|----------------|---------------|---------------------|-----------------------|---------------|-------------|--------------------|-----------------------|------------------|------------------|
| 1                  | Rate Change From Docket No. 11-528                               | \$9,627,360    | \$79,426      |                     | \$39,087              | \$827,270     | \$3,038,552 |                    | \$3,984,335           |                  | \$5,643,025      |
| 2                  | Weather Normalization                                            | \$279,310      | \$2,304       |                     | \$1,134               | \$24,001      | \$88,155    |                    | \$115,594             |                  | \$163,716        |
| 3                  | Bill Frequency                                                   | \$2,094,504    | \$17,280      |                     | \$8,504               | \$179,979     | \$691,080   |                    | \$866,822             |                  | \$1,227,683      |
| 4                  | Year End Customers                                               | \$724,373      | \$5,976       |                     | \$2,941               | \$62,245      | \$228,624   |                    | \$299,785             |                  | \$424,587        |
| 5                  | Regulatory Commission Exp Normalization                          |                | \$143,811     |                     |                       | (\$12,512)    | (\$45,955)  |                    | \$35,345              |                  | (\$85,345)       |
| 6                  | Injuries and Damages Exp Normalization                           |                | (\$43,605)    |                     |                       | \$3,794       | \$13,934    |                    | (\$25,878)            |                  | \$25,878         |
| 7                  | Uncollectible Expense Normalization                              |                | (\$157,025)   |                     |                       | \$13,661      | \$50,177    |                    | (\$93,186)            |                  | \$93,186         |
| 8                  | Wage and Fica Expense Adjustment                                 |                | \$1,782,036   |                     | \$95,753              | (\$163,368)   | (\$600,048) |                    | \$1,114,374           |                  | (\$1,114,374)    |
| 9                  | Remove Employee Association Expense                              |                | (\$89,515)    |                     |                       | \$7,788       | \$28,605    |                    | (\$53,123)            |                  | \$53,123         |
| 10                 | Proform Benefits Expense                                         |                | \$536,185     |                     |                       | (\$46,648)    | (\$171,338) |                    | \$318,199             |                  | (\$318,199)      |
| 11                 | Removal of Executive Incentive Compensation                      |                | (\$2,175,633) |                     |                       | \$189,280     | \$695,224   |                    | (\$1,291,130)         |                  | \$1,291,130      |
| 12                 | Removal of Certain Executive/Officer Compensation                |                | (39,419)      |                     |                       | \$3,429       | \$12,596    |                    | (\$23,393)            |                  | \$23,393         |
| 13                 | Storm Restoration Exp Normalization                              |                | (\$771,210)   |                     |                       | (\$50,192)    | \$246,440   |                    | (\$457,675)           |                  | \$457,675        |
| 14                 | Reflect IRP Recurring costs                                      |                | \$576,916     |                     |                       | (\$887)       | (\$3,258)   |                    | \$342,371             |                  | (\$342,371)      |
| 15                 | Amortize IRP Deferred Costs                                      |                |               | \$10,194            |                       | (\$444)       | (\$1,630)   |                    | \$6,050               |                  | (\$6,050)        |
| 16                 | Amortize RFP Deferred Costs                                      |                |               | \$5,102             |                       | (\$191,051)   | (\$701,727) |                    | \$1,303,207           |                  | (\$1,303,207)    |
| 17                 | Proform AMI O&M Expenses                                         |                | \$2,195,985   |                     |                       | (\$243,728)   | (\$895,209) |                    | (\$811,752)           |                  | \$811,752        |
| 18                 | Proform AMI O&M Savings                                          |                | (\$1,367,852) |                     |                       | (\$38,857)    | (\$142,721) |                    | \$1,662,531           |                  | (\$1,662,531)    |
| 19                 | Proform AMI Depreciation & Amortization Expense                  |                |               | \$2,301,468         |                       | (\$65,275)    | (\$239,755) |                    | \$265,054             |                  | (\$265,054)      |
| 20                 | Amortize Dynamic Pricing Regulatory Asset                        |                |               | \$446,632           |                       | (\$107,497)   | (\$394,833) |                    | \$445,258             |                  | (\$445,258)      |
| 21                 | Proform Dynamic Pricing O&M Expenses                             |                | \$750,288     |                     |                       | (\$57,696)    | (\$211,923) |                    | \$733,282             |                  | (\$733,282)      |
| 22                 | Proform Dynamic Pricing Amortization Expense                     |                |               | \$1,235,592         |                       | (\$31,288)    | (\$114,921) |                    | \$393,571             |                  | (\$393,571)      |
| 23                 | Proform Direct Load Control Regulatory Asset                     |                |               | \$663,192           |                       | (\$15,440)    | (\$60,386)  |                    | \$112,145             |                  | (\$112,145)      |
| 24                 | Amortize Direct Load Control Regulatory Asset                    |                |               | \$359,635           |                       | (\$159,574)   | (\$586,112) |                    | \$1,088,493           |                  | (\$1,088,493)    |
| 25                 | Annualization of Depreciation on Year-end Plant                  |                |               |                     |                       | \$0           | \$0         |                    | \$370,828             |                  | (\$370,828)      |
| 26                 | Normalize Other Taxes                                            |                |               | \$1,834,178         |                       | \$12,429      | \$45,653    |                    | (\$84,783)            |                  | \$84,783         |
| 27                 | Proform Forecasted Reliability Closings January 13 - December 13 |                |               | \$624,868           |                       | (\$3,205)     | (\$11,771)  |                    | \$21,860              |                  | (\$21,860)       |
| 28                 | Amortization of Actual Refinancing Costs                         |                |               | \$36,836            |                       | \$0           | \$0         |                    | \$255,733             |                  | (\$255,733)      |
| 29                 | Remove Qualified Fuel Cell Provider Project Costs                |                |               |                     |                       | (\$29,328)    | (\$107,723) |                    | \$200,057             |                  | (\$200,057)      |
| 30                 | Amortize Medicare Subsidy Deferred Costs                         |                |               |                     |                       | \$5,031       | \$22,150    |                    | (\$41,136)            |                  | \$41,136         |
| 31                 | Remove Post-80 ITC Amortization                                  |                |               |                     |                       |               |             |                    |                       |                  |                  |
| 32                 | Recover Credit Facilities Expense                                |                | \$337,108     |                     |                       |               |             |                    |                       |                  |                  |
| 33                 | Removal of RPS Labor Charges                                     |                | (\$69,317)    |                     |                       |               |             |                    |                       |                  |                  |
| 34                 | Total                                                            | \$12,725,546   | \$1,570,872   | \$8,017,697         | \$336,390             | \$299,015     | \$1,094,604 | \$1,693            | \$11,319,270          | \$0              | \$1,406,276      |
| 35                 | Cash Working Capital                                             |                | 0.0954        | 0.0000              | 0.1986                | 0.1902        | (0.0187)    |                    | (0.1072)              |                  | \$252,882        |
| 36                 | Working Capital                                                  |                | \$149,861     | \$0                 | \$66,807              | \$55,682      | (\$20,469)  |                    |                       |                  |                  |
| 37                 | Interest synchronization 1                                       |                |               |                     |                       |               |             |                    |                       |                  |                  |
| 38                 | Working capital                                                  |                | \$149,861     | \$0                 | \$66,807              | \$128,339     | \$473,223   |                    | \$1,944,552           | \$1,944,552      | \$23,868         |
| 39                 | Interest synchronization 2                                       |                |               |                     |                       |               |             |                    |                       |                  |                  |
| 40                 | Working capital                                                  |                | \$149,861     | \$0                 | \$66,807              | \$128,291     | \$471,210   |                    | (\$208,456)           |                  |                  |
| 41                 | Interest synchronization 3                                       |                |               |                     |                       |               |             |                    |                       |                  |                  |
| 42                 | Working capital                                                  |                | \$149,861     | \$0                 | \$66,807              | \$128,401     | (\$8,812)   |                    | \$1,950,849           | \$1,950,849      | \$23,126         |
| 43                 | Interest synchronization 3                                       |                |               |                     |                       |               |             |                    |                       |                  |                  |
| 44                 | Working capital                                                  |                | \$149,861     | \$0                 | \$66,807              | \$128,787     | \$473,033   |                    | \$1,945,147           | \$1,945,147      | \$23,798         |
| 45                 | Working capital                                                  |                |               |                     |                       | \$24,495      | (\$8,846)   |                    | (\$208,520)           |                  |                  |
| 46                 |                                                                  |                |               |                     |                       |               |             |                    |                       |                  |                  |
| 47                 |                                                                  |                |               |                     |                       |               |             |                    |                       |                  |                  |
| 48                 |                                                                  |                |               |                     |                       |               |             |                    |                       |                  |                  |
| 49                 | Per Books Interest Exp (COS)                                     | \$16,862,023   |               | \$16,862,023        | \$16,862,023          | \$16,862,023  |             |                    |                       |                  | \$674,914,898    |
| 50                 | Adjusted Delaware Rate Base                                      | \$754,683,079  | (1)           | \$754,935,960       | \$754,705,947         | \$754,705,205 |             |                    |                       |                  | \$57,474         |
| 51                 | Weighted COD                                                     | 0.0249         |               | 0.0249              | 0.0249                | 0.0249        |             |                    |                       |                  | \$28,764         |
| 52                 | Proforma Interest                                                | \$18,791,509   |               | \$18,792,203        | \$18,792,185          | \$18,792,185  |             |                    |                       |                  | \$3,843,284      |
| 53                 | Delaware IOCD                                                    | 14,967         |               | \$14,967            | \$14,967              | \$14,967      |             |                    |                       |                  | \$5,706,782      |
| 54                 | Total Proforma Interest                                          | \$18,806,576   |               | \$18,812,872        | \$18,807,170          | \$18,807,151  |             |                    |                       |                  | \$5,706,782      |
| 55                 | Difference                                                       | \$1,944,552    |               | \$1,950,849         | \$1,945,147           | \$1,945,128   |             |                    |                       |                  | \$66,794,140     |
| 56                 |                                                                  |                |               |                     |                       |               |             |                    |                       |                  | \$2,975,401      |
| 57                 | SIT @ 8.7 %                                                      | (\$169,176)    |               | (\$169,724)         | (\$169,228)           | (\$169,226)   |             |                    |                       |                  | \$54,650         |
| 58                 | FIT @ 35 %                                                       | (\$621,382)    |               | (\$623,394)         | (\$621,572)           | (\$621,566)   |             |                    |                       |                  | \$520,111        |
| 59                 | Earnings                                                         | \$780,558      |               | \$793,118           | \$790,799             | \$790,792     |             |                    |                       |                  | \$754,683,079    |
| 60                 |                                                                  |                |               |                     |                       |               |             |                    |                       |                  | \$23,798         |
|                    |                                                                  |                |               |                     |                       |               |             |                    |                       |                  | \$754,706,877    |

Interest Synchronization

(1) Without Cash Working Capital Adjustment

|                                                 |               |                                 |              |
|-------------------------------------------------|---------------|---------------------------------|--------------|
| Per Books Rate Base                             | \$674,914,898 | Earnings Adj w/o Interest synch | \$1,406,276  |
| Amortize IRP Deferred Costs                     | \$57,474      | Earnings - per books            | \$29,988,586 |
| Amortize RFP Deferred Costs                     | \$28,764      | Sub-total Earnings              | \$31,394,862 |
| Amortize Dynamic Pricing Reg Asset              | \$3,843,284   | Interest synchronization        | \$790,792    |
| Amortize Direct Load Control Reg Asset          | \$5,706,782   | Total Earnings                  | \$32,185,654 |
| Annualization of Depreciation on Year-end Plant | (\$213,425)   |                                 |              |
| Forecast Reliability Closings Jan 12 - Dec 13   | \$66,794,140  |                                 |              |
| Actual Refinancings                             | \$2,975,401   |                                 |              |
| Amortize Medicare Subsidy Deferred Costs        | \$54,650      |                                 |              |
| Recover Credit Facilities Expense               | \$520,111     |                                 |              |
| Total Rate Base-w/o CWC                         | \$754,683,079 |                                 |              |
| CWC Adjustment                                  | \$23,798      |                                 |              |
| Total Rate Base                                 | \$754,706,877 |                                 |              |